YWCA Building / Water & Power Site

Reuse Analysis

April 2019

Prepared for the
City of Pasadena

kosmont companies

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The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

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1.0 Executive Summary

The City of Pasadena ("City") retained Kosmont Companies ("Kosmont") to evaluate certain reuse and development scenarios of the former YWCA building ("YWCA Building", "Building") and a vacant site ("Water & Power Site", collectively "Sites") adjacent to Pasadena City Hall. In this analysis ("Analysis") Kosmont evaluates the potential reuse of the existing YWCA Building for hotel, office, market rate multifamily residential, and affordable housing, and separately, the development of an office building on the Water & Power Site. As part of the YWCA Building reuse scenarios, Kosmont also evaluated the potential to construct additional building area on undeveloped land adjacent to the YWCA Building (the "YWCA Site") for each of the same uses.

This Analysis includes a summary of pertinent studies previously completed, an evaluation of current market conditions, and a review of current construction cost estimates. Based on a review and evaluation of this information, it is Kosmont's conclusion that while the YWCA Building is an appealing building and historically significant, it is expected to cost more to rehabilitate than the revenues from the reuse of the Building will support. Given the extraordinary costs of rehabilitating the building, in conjunction with its unique purpose driven design, a market-based reuse of the Building for hotel, office, or multifamily residential would require the inclusion of additional building area to support these extraordinary costs. The essence of this Analysis is whether there is sufficient additional building area under the various scenarios to generate sufficient revenues to support the rehabilitation of the YWCA Building.

As discussed herein, it is Kosmont's conclusion that:

- Hotel reuse of the YWCA Site is possibly feasible but would rely on aggressive revenue projections and the ability to provide parking offsite.
- Private office reuse of the both the YWCA Site and the Water & Power Site is likely feasible if subterranean parking can be minimized and/or offsite parking available.
- Public office reuse of the YWCA Site is possible, but is estimated to initially cost 20% - 50% more per year than current City leasing costs of approximately $39 per square foot per year (without and with subterranean parking, respectively).
- Public office reuse of the Water & Power Site is possible, but is estimated to initially cost 10% - 30% more than current City leasing costs per square foot per year (without and with subterranean parking, respectively).
- Market residential reuse of the YWCA Site also appears feasible if subterranean parking can be minimized and/or offsite parking is available.
- Affordable housing reuse of the YWCA Site would be a function of public funds available to support such reuse. Initial estimates discussed herein suggest such reuse could require $20 – 36 million in public funds (assuming no subterranean parking is required).

All analysis and conclusions herein are based on preliminary and hypothetical building programs. The proforma generated for these building programs should be considered order of magnitude estimates, and could vary substantially from actual results once specific building programs are established. The conclusions on feasibility are intended to be preliminary in nature and guide further evaluation and refinement as warranted.

2.0 Background

The City of Pasadena retained Kosmont to evaluate the potential reuse of the YWCA Building, and separately, development on the Water & Power Site adjacent to City Hall. In completing its Analysis, Kosmont reviewed information from a variety of sources that are highlighted and discussed herein. Pertinent background information and an introduction to concepts relevant to this Analysis also follows.

2.1 Data Sources

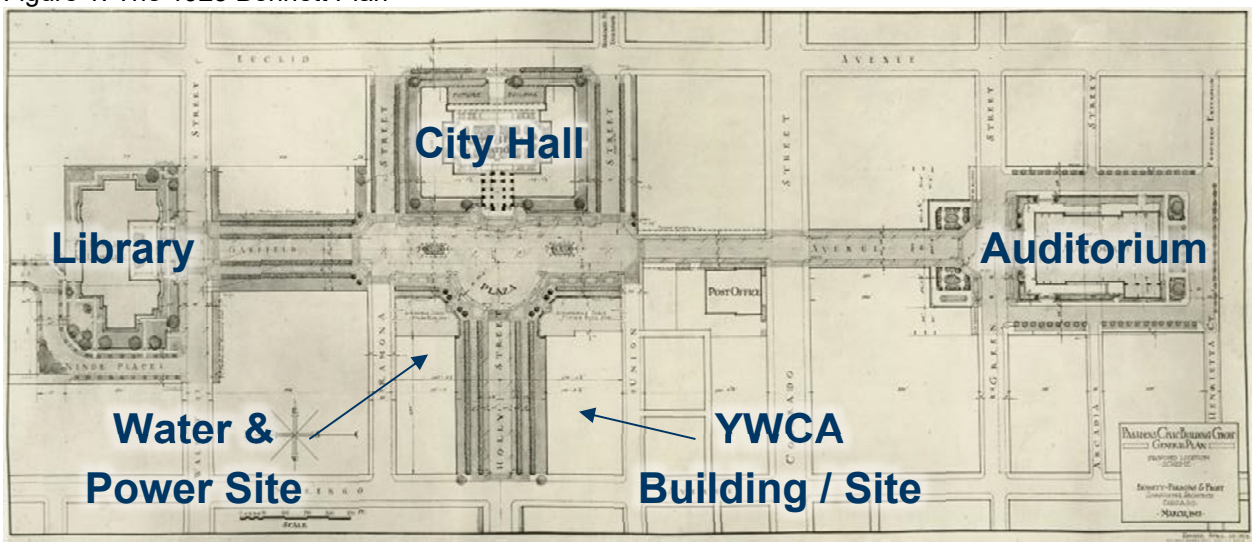
Primary data sources utilized in the preparation of this Analysis include the following:

- Architectural Resources Group ("ARG") – Assessments of YWCA Building conditions (2011 & 2018)
- City of Pasadena – Property information, City lease information, various other data (2019)
- CBRE – Capitalization rate information and market data (2019)
- Keyser Marston Associates, Inc. ("KMA") – Prior hotel feasibility analysis (2017)
- Kosmont Transaction Services ("KTS") – Hypothetical City Capital Costs
- Los Angeles County Office of the Assessor – Parcel data (2019)
- Marx I Okubo – Guidance on direct construction cost estimates utilized in proforma (2019)
- OLIN – Interpretation of Bennett Plan (2019)
- REIS – Market data and comps (2019)
- STR – Hotel performance data (2019)
- YWCA/Kimpton Hotel Project Environmental Impact Report ("EIR") – Prior hotel project description (2016)

2.2 Bennett Plan

The Bennett Plan ("Bennett Plan") is a vision for the configuration of the City's civic center that was created in 1925 by Edward Bennett and his Chicago based firm Bennett Parsons & Frost. The Bennett Plan provided a guide for the placement of City Hall, the Pasadena Civic Auditorium, the Pasadena Central Library, and the landscaping, scale, and orientation of surrounding streets. As illustrated in Figure 1 below, the Bennett Plan proposed landscaping and other treatments for areas adjacent to, and inclusive of the Sites. Additional information on the Bennet Plan can be found in the OLIN Report discussed in Section 4.4 on page 18 below.

Figure 1: The 1925 Bennett Plan



2.3 Kimpton Hotel Proposal

In July 2012 the City issued a Request for Proposals to identify a developer and project for the Sites that would include the rehabilitation of the YWCA Building. The City received six proposals and ultimately selected a proposal from Kimpton Hotels ("Kimpton") with whom it entered into negotiations to effectuate the development of a hotel utilizing the YWCA Building and the YWCA Site. The hotel ultimately received zoning entitlements and project approvals in August 2016. Subsequent to obtaining project approvals, Kimpton requested economic subsidies from the City in the form of a $0 ground lease for 50 years, and access to 136 off-site City controlled parking spaces at no cost for up to 99 years. The City reviewed Kimpton's request, and in May 2017 ultimately chose not to approve the requested economic subsides, and the project was shelved.

2.4 Existing City Leases

A component of this Analysis is an evaluation of the financial feasibility of the conversion and/or development of an office building to satisfy the City's existing need for administrative office space. The City currently leases space at several office buildings proximate to City Hall to satisfy demand for office space for certain City departments. The City leases a total of approximately 64,000 square feet of office space in five buildings on a relatively short-term basis. The total annual cost of these leases is approximately $2.4 million per year, or approximately $39 per leased square foot including parking costs and Common Area Maintenance ("CAM") charges. Base rent comprises approximately $2.1 million of this total, or approximately $33 per leased square foot. Additional details on the various leases follows in Table 1 and a map illustrating the location of the various leases is provided in Figure 2 below.

Table 1: List of Existing City Office Leases

Department	1 Fire Admin	2 Transport-ation	3 Water & Power	4 Water & Power	5 Housing	6 Water & Power (PCAC)	Total
Address	215 N. Marengo	221 E. Walnut	150 S. Los Robles	1055 E. Colorado	649 N. Fair Oaks	150 S. Los Robles	
Suite	195	199, 210, 215	200, 350, 680	350	202	101	
SF	**6,712**	**11,088**	**24,627**	**9,862**	**6,266**	**5,355**	**63,910**
Lease Expiration Date	1/15/2019	10/31/2019	10/31/2020	10/31/2022	8/12/2019	8/31/2020	
Options	(2) 1-Year options	(3) 1-Year options	(1) 2-Year option	(1) 1-year option	n/a	n/a	
Options Until	2021	2021	2022	2023	2019	n/a	
Annual Escalation	4%	CPI	2.6%+ (Est.)	3%	CPI	n/a	
Base Rent / Year	$223,735	$295,950	$ 865,393	$390,535	$172,942	$138,430	**$ 2,086,985**
Base Rent / SF / Year	**33.33**	**26.69**	**35.14**	**39.60**	**27.60**	**25.85**	**32.66**
Parking	$ -	$ 31,500	$ 155,565	$ 64,320	$ -	$ 26	**$ 251,411**
CAM	-	-	56,244	-	-	5,343	**61,587**
Total Rent / Year	$223,735	$327,450	$1,077,202	$454,855	$172,942	$143,799	**$ 2,399,984**
Total Rent / SF / Year	**33.33**	**29.53**	**43.74**	**46.12**	**27.60**	**26.85**	**38.97**

Figure 2: Map of City Office Space Leases

2.5 Prevailing Wages

Generally, State and Federal law requires that all workers employed on public works projects must be paid prevailing wage rates. Generally, public works projects are the construction, alteration, demolition, installation, or repair of physical improvements done under contact and paid in whole or in part with public funds. To the extent that the City directly or indirectly funds

improvements to one or both of the Sites, such improvements would be expected to require the payment of prevailing wages to anyone working on such improvements. Additionally, if a public subsidy is sought and provided, it would typically require the payment of prevailing wage rates. To the extent that the Sites or portions thereof were conveyed (i.e. sold or leased) to a private party at less than a fair market value, such conveyance could be considered a public subsidy. Under these circumstances, the conveyance could trigger the requirement that improvements thereon be made with prevailing wage labor. Should property be conveyed at fair market value, there would generally be no requirement that a private party pay prevailing wage rates for improvements associated with such a transaction.

The payment of prevailing wages can have varying impacts on construction costs for a given project and product type. Construction projects that rely more heavily upon skilled trades and/or have a greater share of construction costs driven by material costs rather than labor cost may realize less of a cost impact from prevailing wage requirements. Overall market conditions and availability of construction labor can also influence potential premiums. Scenarios herein that utilize prevailing wage labor include an approximately 20% to 60% premium on direct construction costs.

3.0 Property Description

3.1 Location of Sites

The Sites are located in the civic center district in downtown Pasadena. The Sites are immediately north and south of Holly Street, and west of Garfield Avenue. City Hall is located immediately east of the Sites, across Garfield Avenue. Maps of the location of the Sites within the region, area, and City follow in Figure 3 through Figure 6 below.

Figure 3: Map of Region

Figure 4: Map of Area

Figure 5: Map of City of Pasadena (City Boundary)

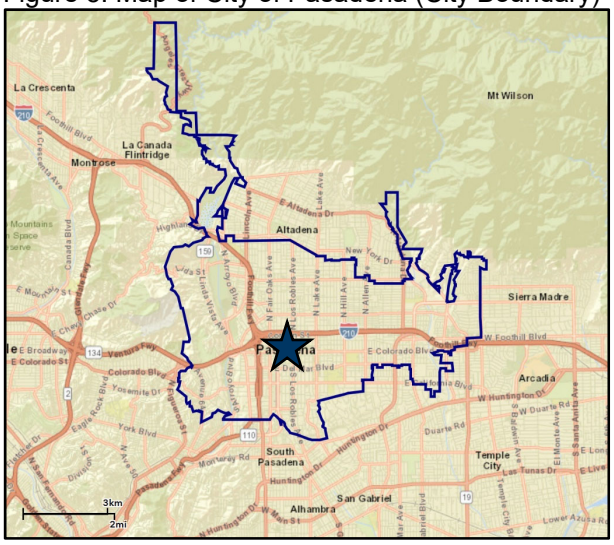
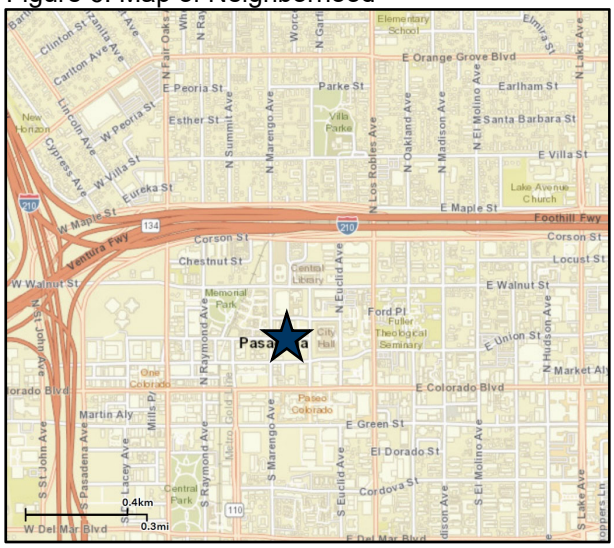


Figure 6: Map of Neighborhood



Pursuant to Los Angeles ("County") Assessor records, the YWCA Site is comprised of three parcels totaling approximately 76,448 square feet, or approximately 1.75 acres. The YWCA Building and its parking lot cover two parcels totaling approximately 40,859 square feet, or approximately 0.94 acres. The Water & Power Site is comprised of one parcel totaling

approximately 43,258 square feet. Additional details for the three parcels are provided in Table 2 below. Aerials of the Sites, the Los Angeles County Assessor Parcel Maps of the Sites, and aerials of the Sites with overlays of the parcel boundaries follow in Figure 9 through Figure 13 below.

Table 2: YWCA Building / YWCA Site & Water & Power Site Parcels

Parcel	Assessor Parcel Number	Lot Area (Square Feet)
YWCA Building	5723-026-900	33,059
	5723-026-903	7,800
		40,859
Open Space / YWCA Site	5723-026-902	35,589
		76,448
Water & Power Site	5723-018-910	**43,258**

Figure 9: Aerial of YWCA Building / YWCA Site

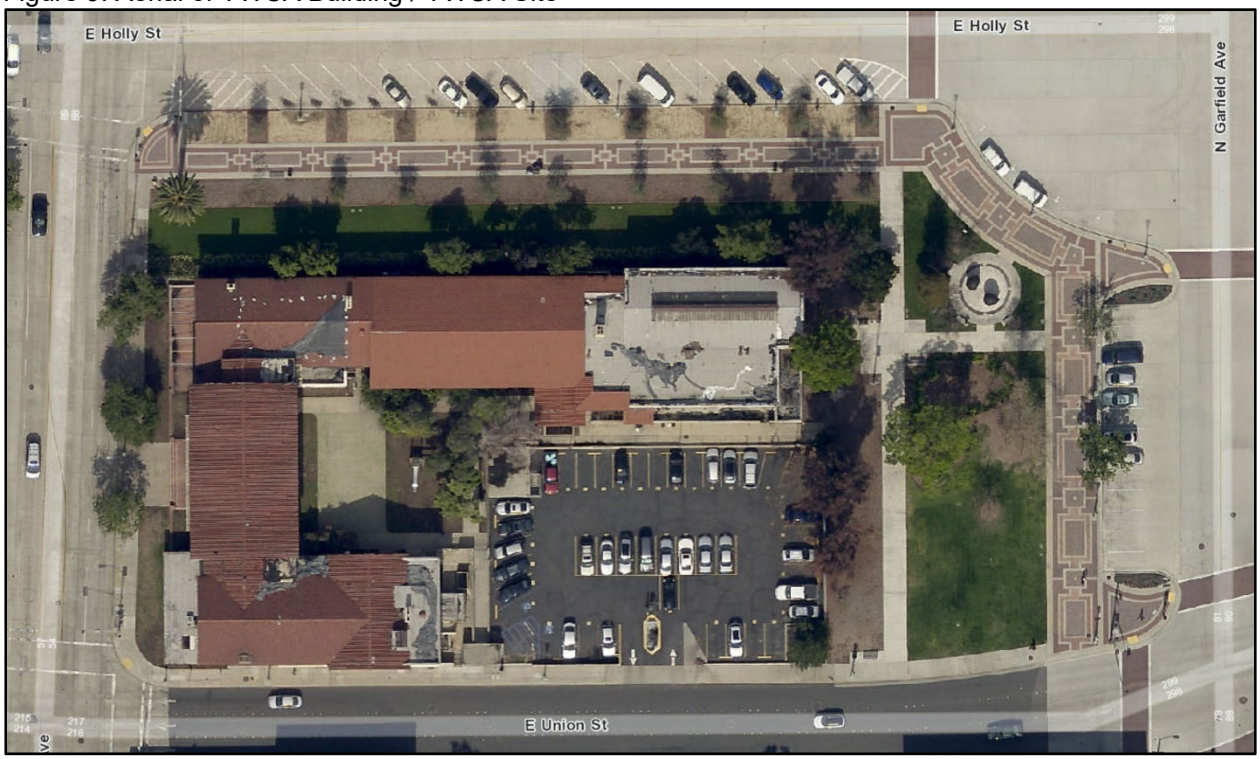


Figure 10: YWCA Site Parcel Map

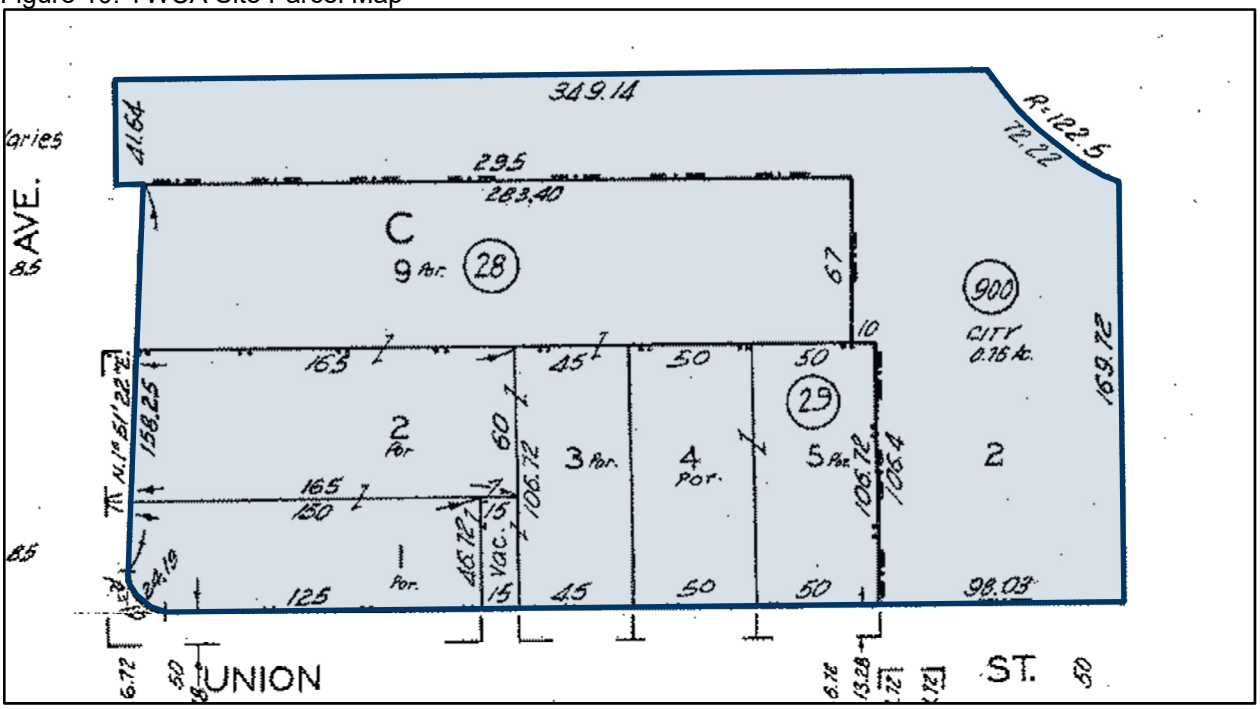


Figure 11: Aerial of Water & Power Site

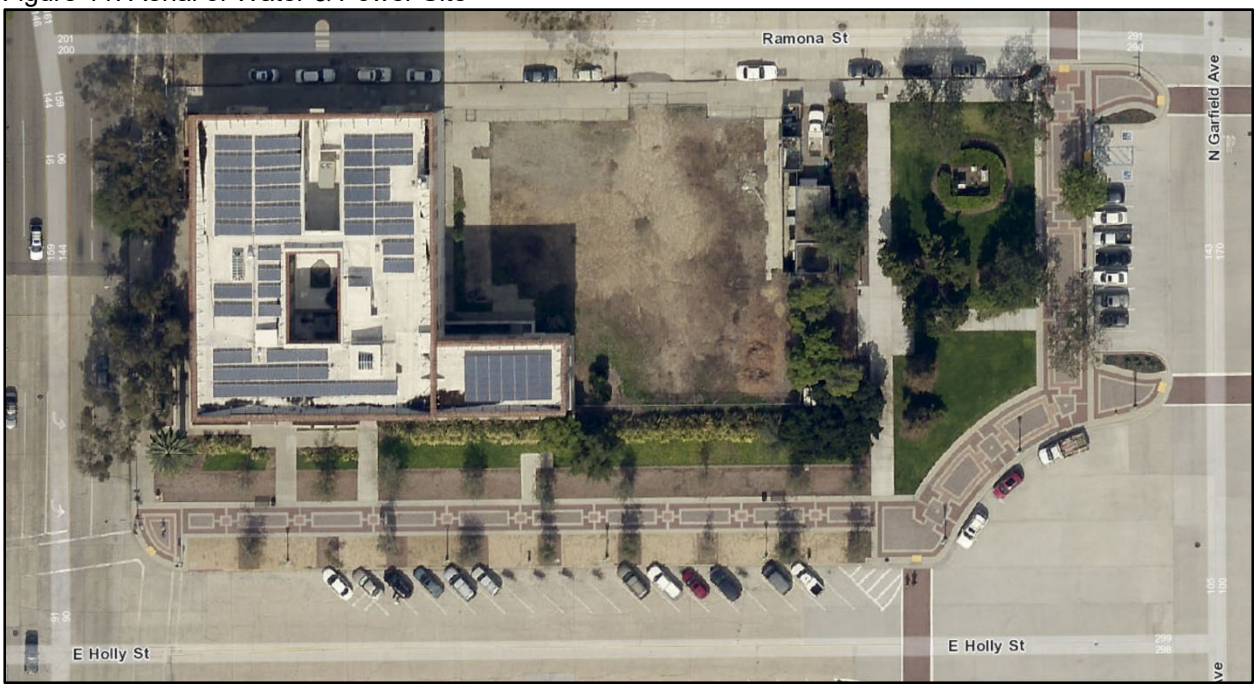


Figure 12: Water & Power Site Parcel Map

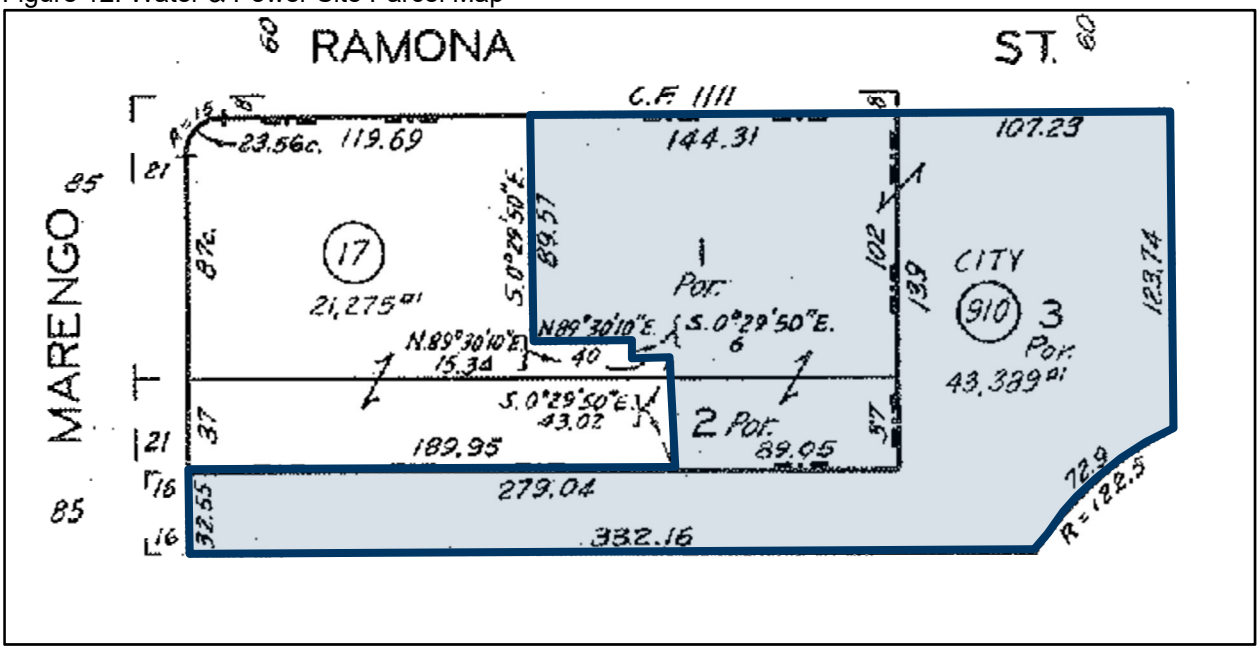
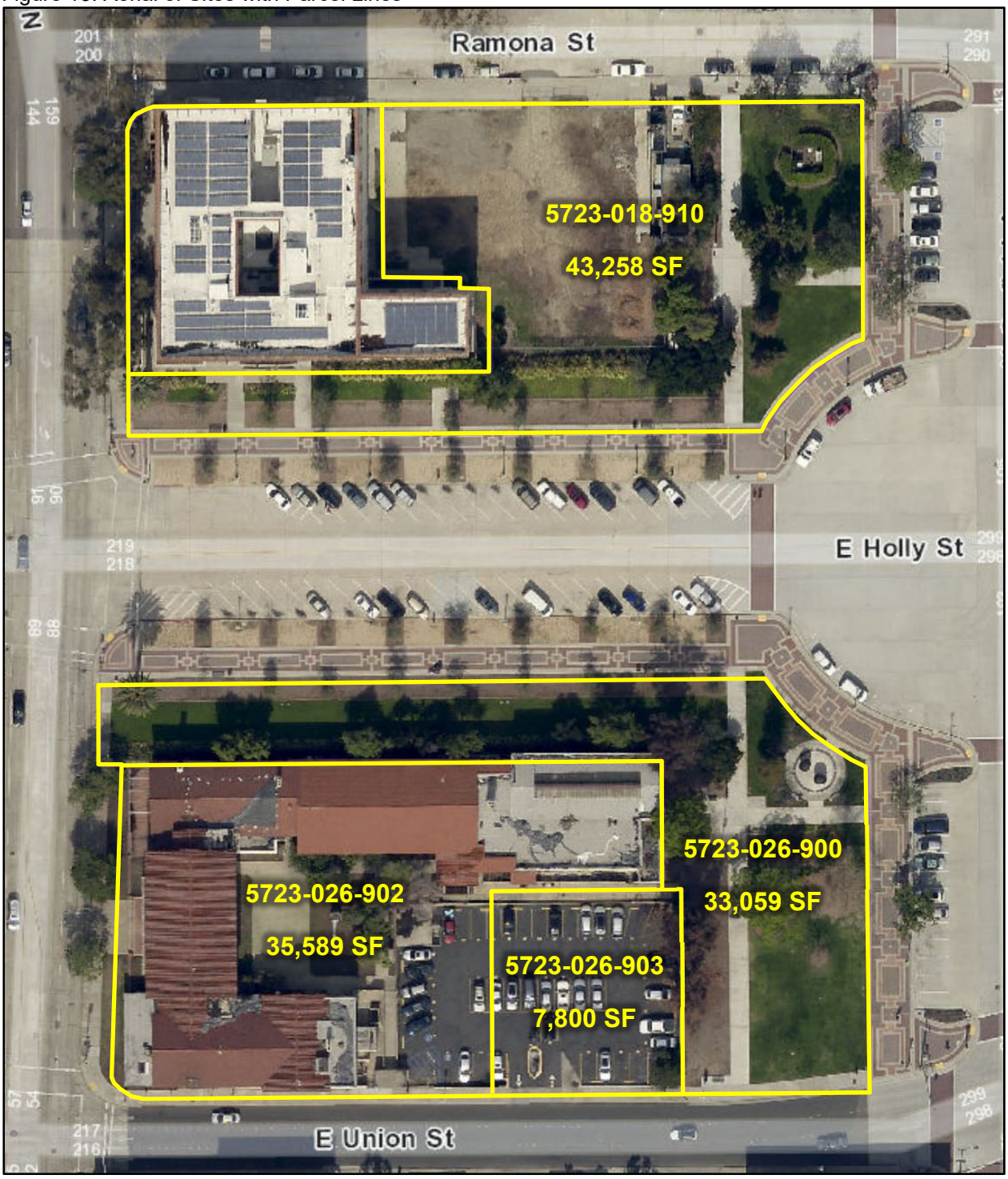


Figure 13: Aerial of Sites with Parcel Lines



3.3 YWCA Building

The YWCA Building was originally constructed in 1922, and has only had minor renovation and rehabilitation work completed since (in 1938 and 1951). Pursuant to the EIR for the Kimpton Hotel project, the Building encompasses approximately 40,570 square feet. Pursuant to a 2011 analysis completed by ARG (discussed subsequently in Section 4.1 below) the main wing of the Building is approximately 26,000 square feet, and the pool and gym wing of the Building is approximately 16,000 square feet. The Building varies from two to three stories in height, and is 44.6 feet above grade at its tallest point. Primary uses on the first floor include lobby, library, cafeteria, kitchen, office, gymnasium, locker room, and pool functions. Primary uses on the second floor include dormitory, lounge, meeting room, and office functions. The third floor is limited to the main wing of the Building, and is predominantly utilized for dormitories.

The main wing of the Building includes 28 dormitory style rooms, of which approximately 12 appear to be single occupancy rooms, and 16 appear to be double occupancy rooms. Of the 28 rooms, 17 are located on the second floor, and 11 are located on the third floor. No rooms include bathroom facilities, but rather are Single Room Occupancy ("SRO") formats, and utilize shared bathrooms located on the second and third floors. As the building originally housed only women, there is only one communal bathroom per floor (i.e. no men's and women's restrooms). The pool and gym wing of the Building also has two larger multi-occupancy dormitory rooms on the second floor.

The Building was utilized by the YWCA until 1997, and subsequently sold to a private developer in 1998. In 2012 the City acquired the Building for $8.3 million primarily to preserve it as a historic asset. The YWCA building is currently designated as a local Historic Monument, and listed in the National Register of Historic Places as a contributor to the Pasadena Civic Center Historic District. The Building has been vacant since the YWCA's departure in 1997, and is currently in need substantial repair. Reference floorplans of the YWCA Building follow in Figure 14 through Figure 16 below. Additional information on the history of the Building can be found in the 2011 ARG study discussed in Section 4.1 on page 17 below.

Figure 14: ARG 2011 Rehabilitation Study - YWCA Building Existing First Floor Layout

Figure 15: ARG 2011 Rehabilitation Study - YWCA Building Existing Second Floor Layout

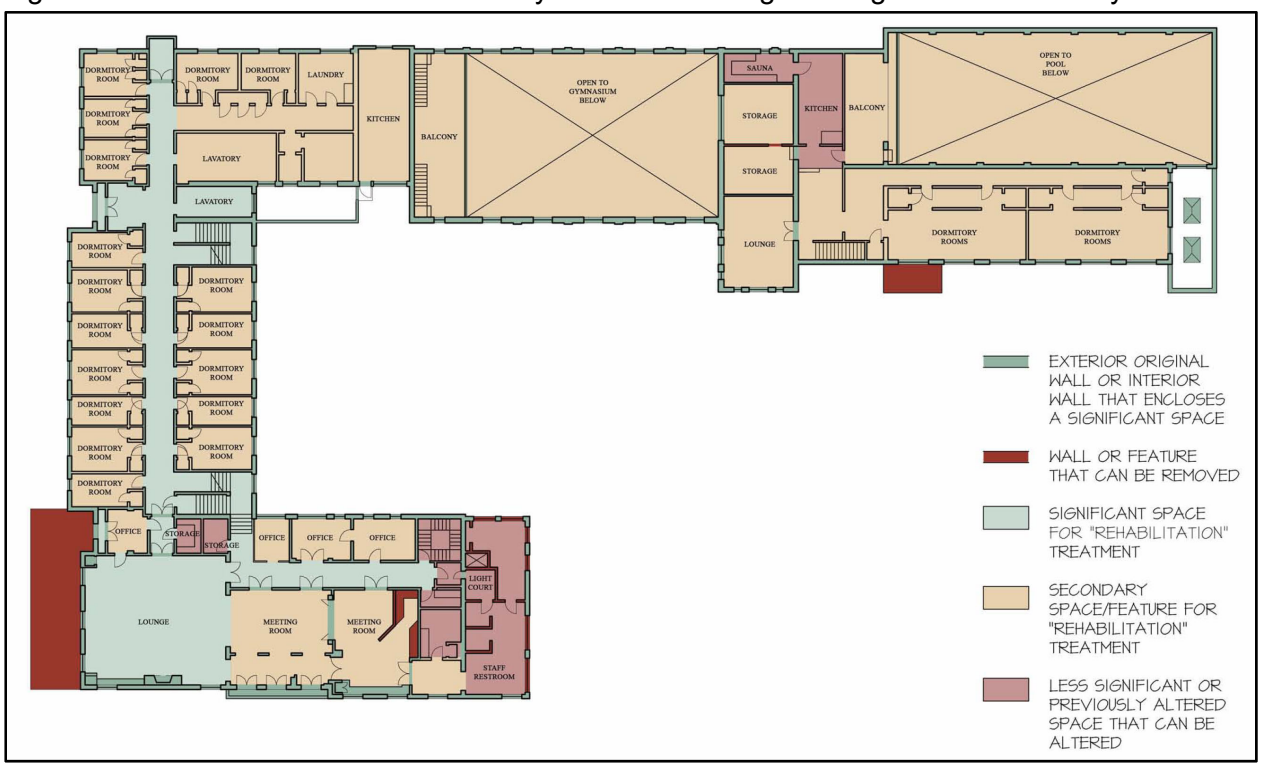
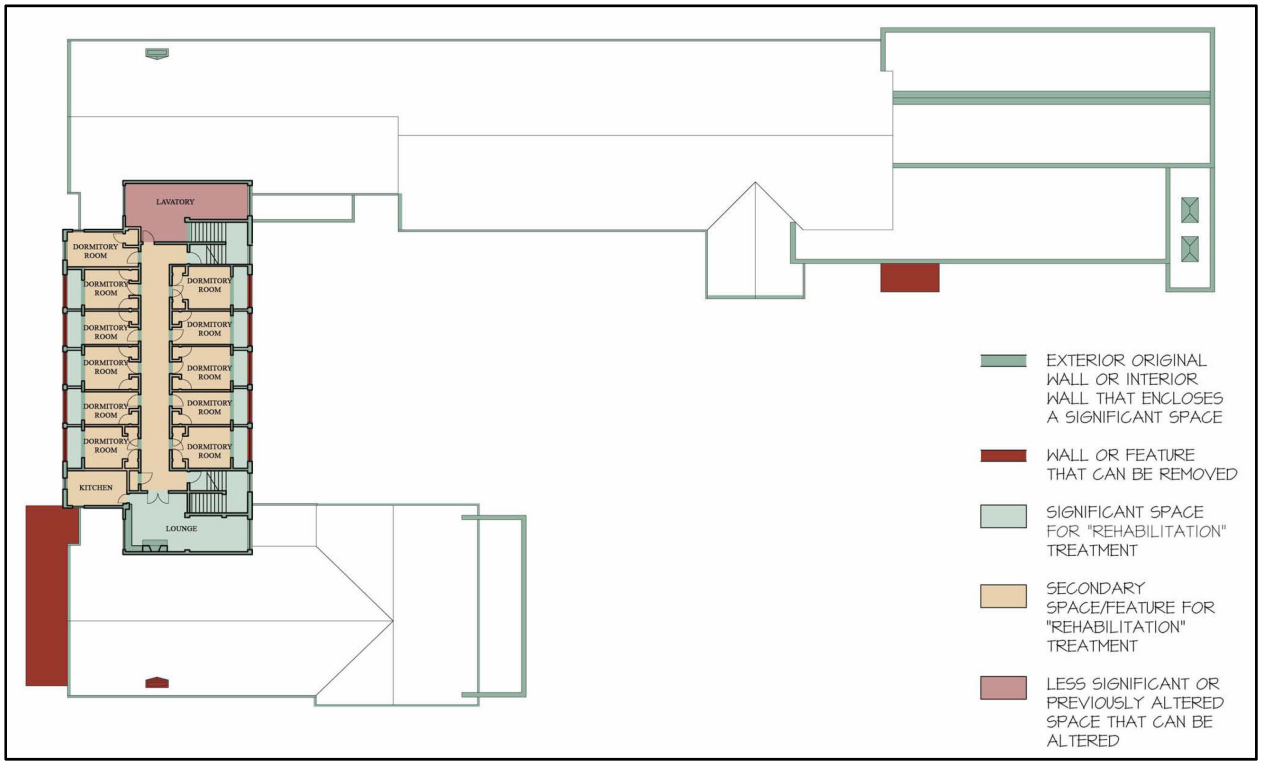


Figure 16: ARG 2011 Rehabilitation Study - YWCA Building Existing Third Floor Layout



4.0 Prior Analyses of the Sites

A brief summary discussion of pertinent analyses of the Sites previously completed, and reviewed by Kosmont follows.

4.1 ARG Pasadena YWCA Rehabilitation Study – February 2011

In February 2011 Architectural Resources Group ("ARG") completed a "Draft" Rehabilitation Study that was ultimately included in the Environmental Impact Report ("EIR") for the proposed Kimpton Hotel. ARG completed a detailed assessment of the then existing conditions of the YWCA Building. ARG's analysis also incorporated an engineers' assessment of the structural condition of the Building, as well as an analysis of building systems (i.e. plumbing, electrical systems). The ARG report also classified components of the Building that may be considered historically significant and therefore should be restored as part of any reuse program. At the time of the preparation of this Analysis, the ARG report was available for download here. A separate companion document prepared by ARG at the same time estimated that it would cost approximately $1.8 million to mothball the Building, and approximately $9.8 million to rehab the shell and core of the Building.

4.2 KMA Kimpton Hotel Feasibility Review – March 2017

In March of 2017 Keyser Marston Associates, Inc. ("KMA") prepared an analysis on behalf of the City on the potential financial feasibility of the then proposed redevelopment of the YWCA Building and YWCA Site into a Kimpton Hotel. As part of its analysis KMA reviewed development plans, development costs, and operating projections for the proposed hotel, compared the development costs and operating projections to industry standard ranges, and evaluated the financial feasibility of the proposed hotel assuming typical developer returns.

KMA's analysis utilized an estimated total construction / delivery cost of $81.8 million for a 181-room hotel. KMA's analysis also utilized a $269 Average Daily Rate ("ADR") and a stabilized occupancy rate of 83%. Finally, KMA's analysis estimated hotel Net Operating Income ("NOI") to be $5.9 million, equal to 23.8% of gross revenues. These figures are provided as a reference point and context for subsequent discussions in Section 5.2 Hospitality Market and Section 7.0 YWCA Reuse – Hotel. At the time of the preparation of this Analysis the KMA report was available for download here.

4.3 ARG - November 2018

In 2018 the City retained ARG to update its 2011 assessment of existing building conditions with a focus on structural repairs needed to stabilize the deterioration of the building, and maintain its structural integrity. AGR found that the YWCA Building continued to deteriorate between 2011 and 2018. ARG estimated that stabilization would cost approximately $620,000 including

structural repairs if only the minimum necessary roof repairs are completed, or approximately $1.2 million if deteriorating roofs are replaced rather than temporarily repaired.

4.4 OLIN Pasadena Civic Center Report – 2019

In 2018 the City retained OLIN, an international landscape architecture, planning, and urban design firm to review the Bennet Plan and provide recommendations on potential development envelopes on the Sites. OLIN's Pasadena Civic Center Report ("OLIN Report") includes a setback and massing recommendation. As discussed therein, a setback of "about" 45 feet from Garfield was considered "an appropriate line of development for both parcels." One of the hypothetical building configurations developed by OLIN is illustrated in Figure 17 and Figure 18 and contemplates a 45-foot setback from Garfield Avenue.

Note: The development envelopes evaluated in this Analysis are based on the setback recommendation in the OLIN Report – a 45-foot setback from Garfield ("Option A"), as well as a second scenario based on an approximately 107-foot setback from Garfield ("Option B"). The assumed development envelope for the Sites utilizing these scenarios is discussed further in Section 6.4 on page 35 below.

Figure 17: OLIN Report – Hypothetical Building Configuration Site Plan

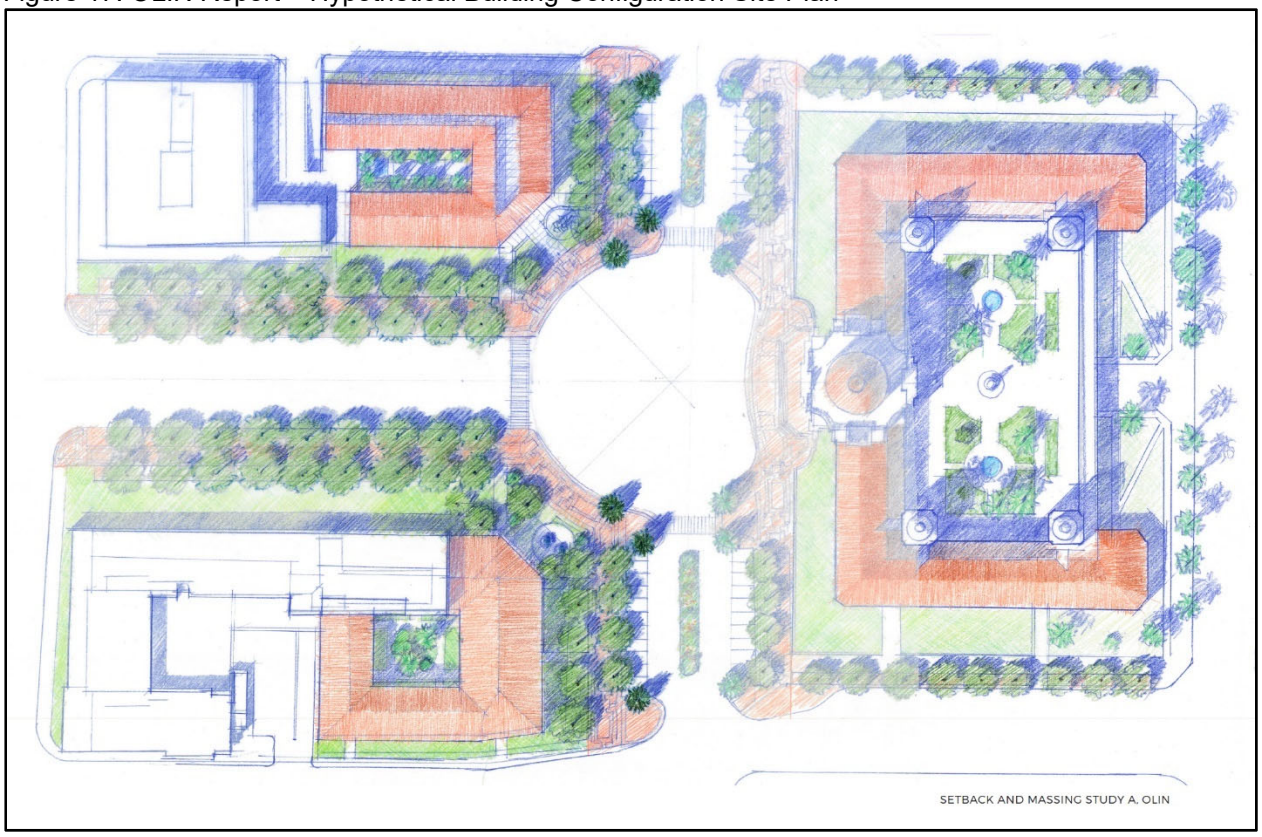
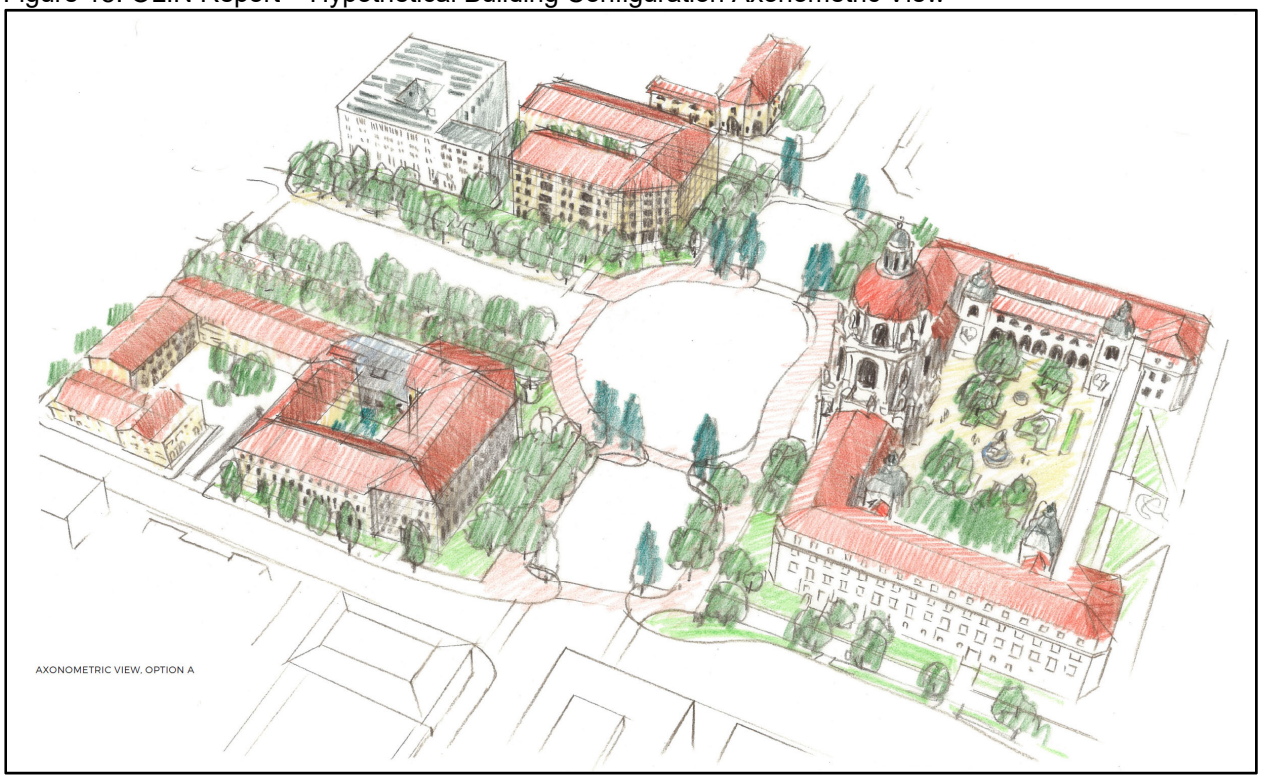


Figure 18: OLIN Report – Hypothetical Building Configuration Axonometric View



5.0 Market Fundamentals & Trends

A discussion of capitalization rates, and market fundamentals and trends for hospitality, office and residential uses follows.

5.1 Capitalization Rates

The value of various development product types to an owner-investor (rather than owner-occupant) is typically driven heavily by the income generated by an investment in consideration of the perceived risk of the investment. Capitalization rates ("cap rates") evaluate the net income after expenses that an investment yields relative to the cost (on a cash basis) of the investment. A real estate product type selling at a higher relative cap rate typically has a higher perceived risk or inferior market fundamentals as compared to a product with a lower cap rate. An asset with a higher cap rate than an asset within the same product type typically requires investment, lease-up, or has some other current or future impairment ("Value Add" product). A summary of market capitalization rates reported by CBRE for the greater Los Angeles area, for office, hospitality, and multi-family residential product follows in Table 3 below.

Table 3: Market Area Capitalization Rates (H1 2018)

Product Type	Class	Market	Stabilized	Value Add
Office	Class AA	CBD	3.50% - 4.50%	
		Suburban	5.00% - 6.00%	
	Class A	CBD	4.50% - 5.50%	5.00% - 6.00%
		Suburban	5.50% - 6.50%	6.50% - 7.50%
	Class B	CBD	5.50% - 6.50%	6.50% - 7.50%
		Suburban	7.00% - 8.00%	7.50% - 8.50%
Hotel	Luxury	CBD	5.50% - 7.50%	
		Suburban	6.00% - 7.50%	
	Full-Service	CBD	6.25% - 7.75%	
		Suburban	6.50% - 7.75%	
	Select-Service	CBD	6.50% - 8.00%	
		Suburban	6.75% - 8.25%	
Multi-Family Residential	Class A	Infill	4.00% - 4.25%	4.25% - 4.75%
	Class B	Infill	4.25% - 5.00%	4.75% - 5.50%

5.2 Hospitality Market

The hospitality market in the Pasadena area appears to be performing well. While much of the existing hotel stock is beginning to age, revenue and occupancy has been strong in recent years. Table 4 below provides summary details on 14 area hotels whose locations are shown in Figure

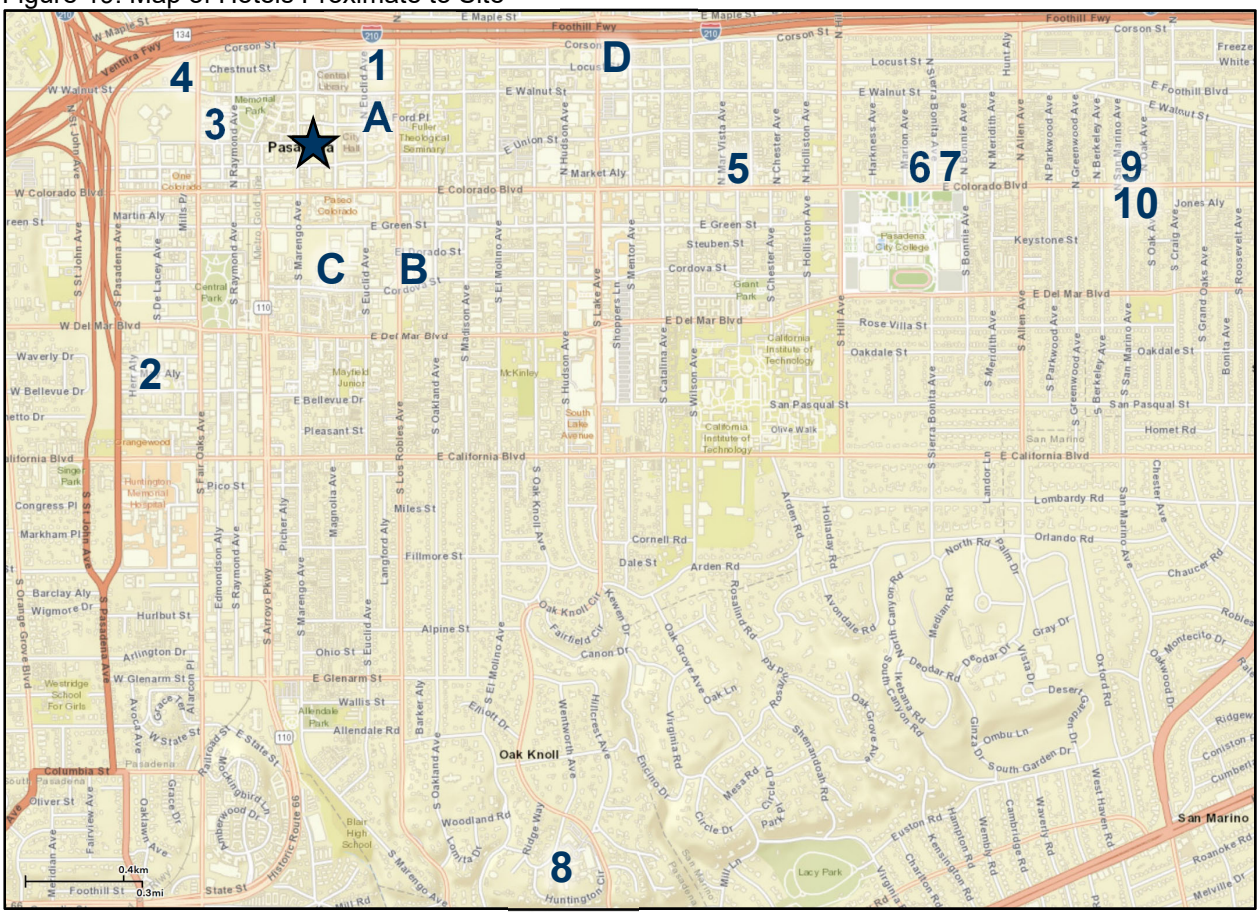
19 below. Metrics for four of the 14 identified hotels were reviewed to evaluate the hotel market considered appropriate for the YWCA Site, and will be discussed in detail subsequently.

Table 4: Hotels Proximate to Site

	Hotel (In Market Set)	Class	Rooms	Opened
A	Westin Pasadena	Upper Upscale	350	Sep 1989
B	Hilton Pasadena	Upper Upscale	296	Dec 1970
C	Sheraton Hotel Pasadena	Upper Upscale	311	Dec 1975
D	Hotel Constance Pasadena	Upper Upscale	129	Jun 1926

	Hotel (Not in Market Set)	Class	Rooms	Opened
1	Hyatt Place Pasadena	Upscale	189	Dec 2018
2	GreenTree Pasadena Inn	Economy	69	Jun 1973
3	Courtyard Los Angeles Pasadena	Upscale	314	Jul 2000
4	Residence Inn Los Angeles Pasadena	Upscale	144	Jul 2016
5	Vagabond Inn Executive Pasadena	Midscale	54	Jun 1975
6	Howard Johnson Pasadena	Economy	59	Jun 1990
7	Saga Motor Hotel	Independent	70	Jun 1960
8	Langham Huntington Pasadena	Luxury	379	Jun 1906
9	Travelodge Pasadena Central	Economy	53	Jun 1960
10	Ramada Pasadena	Midscale	75	Jun 1982

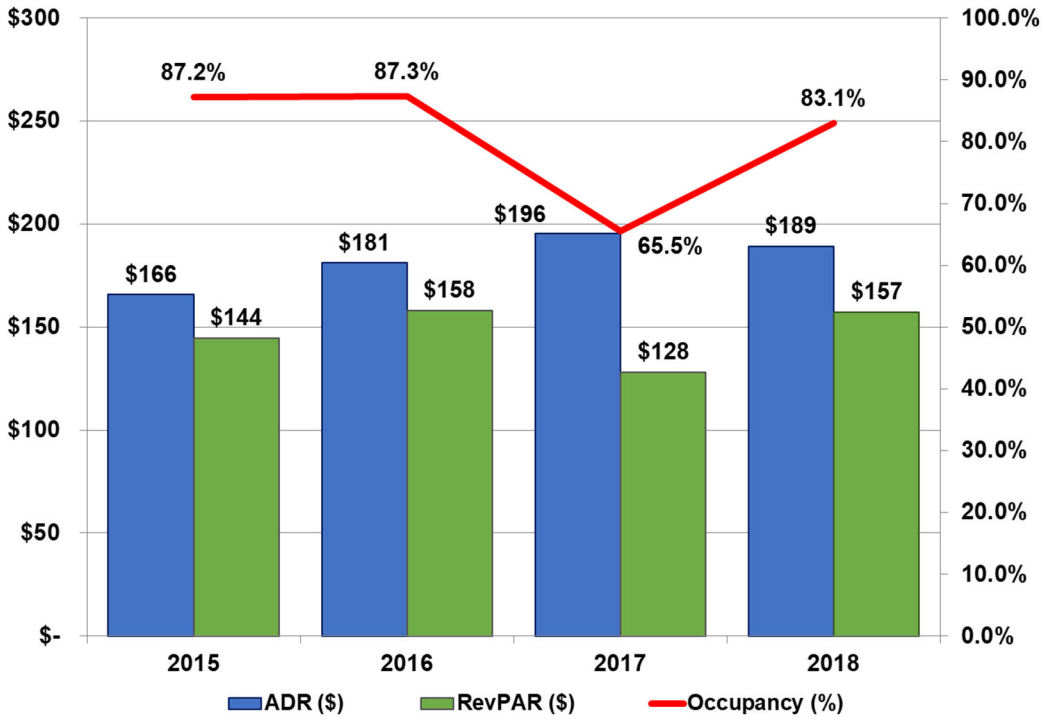
Figure 19: Map of Hotels Proximate to Site



As introduced above, performance metrics for four hotels (the Market Set in Table 4 above) were evaluated to provide a picture of the existing hotel market proximate to the YWCA Site within the upper upscale hotel tier. The four hotels were selected to approximate potential upper upscale hotel performance within the market area which appears to be an appropriate quality for the YWCA Site. Charts summarizing the performance of the four hotels follow in Figure 20 through Figure 23 below.

For reference, "ADR" refers to the Average Daily Rate and RevPAR refers to Revenue Per Available Room. ADR is the average rate a guest pays per room night, while RevPAR is the amount of revenue each hotel room or "key" generates in consideration of occupancy rates. At the time of the preparation of this analysis, additional information on hotel classifications and terminology could be found here.

Figure 20: Hotel Market Set ADR, RevPAR and Occupancy 2015 - 2018 (October YTD)



Note: Figures above are based on October year to date figures. For reference full year occupancy rates were 86.5% for 2015, 85.5% for 2016, and 66.2% for 2017. Full year ADR's were $165 for 2015, $181 for 2016, and $194 for 2017. Full year RevPAR's were $143 for 2015, $155 for 2016, and $128 for 2017.

It is Kosmont's conclusion that the deviation in 2017 (increase in ADR, decrease in occupancy and RevPAR) is due to reporting errors from one of the hotels in the dataset. Figures for 2015, 2016, and 2018 are considered indicative of actual performance.

As illustrated above, the ADR for the market set of hotels has increased over the last four years to just above $189. While occupancy rates are strong, they did decrease between 2016 and 2018, keeping RevPAR fairly stable over the period. For reference, Kosmont considers occupancy rates above 75% to be strong for this market segment. In the figures below the performance metrics are evaluated based on the day of the week, and month of the year.

Based on the information reviewed, a $225 ADR, and 80% occupancy rate were utilized in the baseline hotel scenarios evaluated herein.

Figure 21: Hotel Market Set ADR, RevPAR, Occupancy by Day of Week (Nov 2017 – Oct 2018)

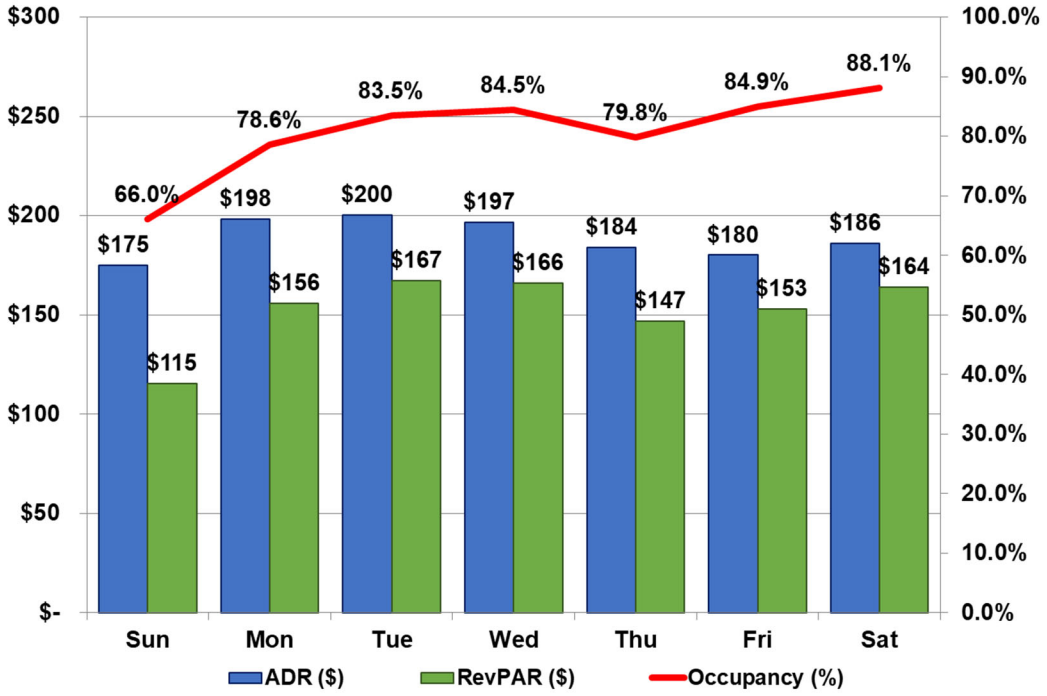


Figure 22: Hotel Market Set RevPAR by Month of Year

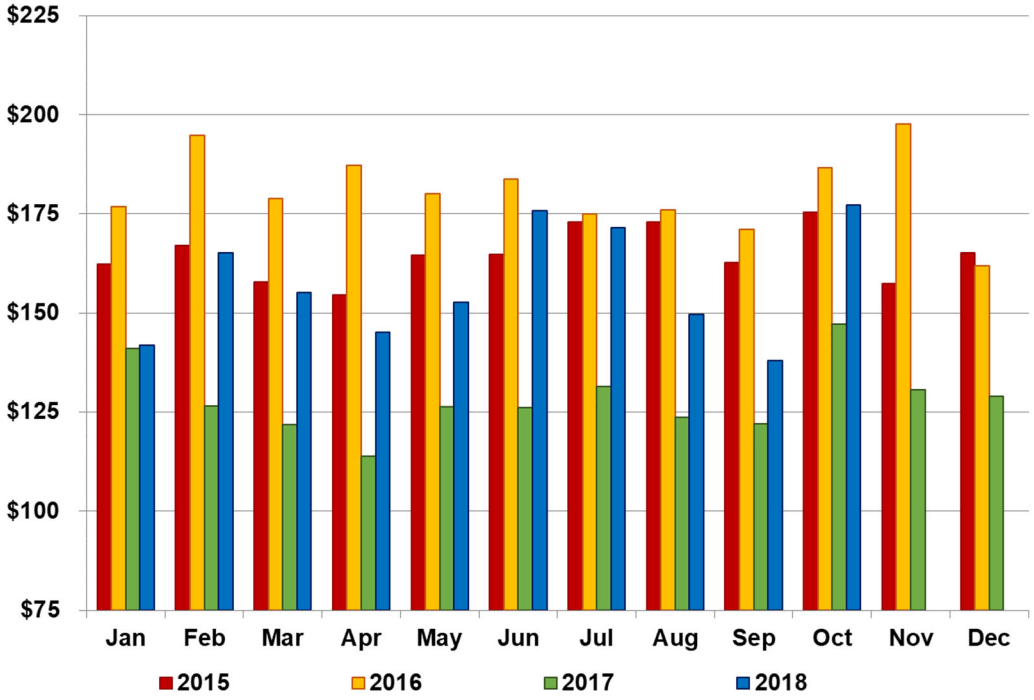
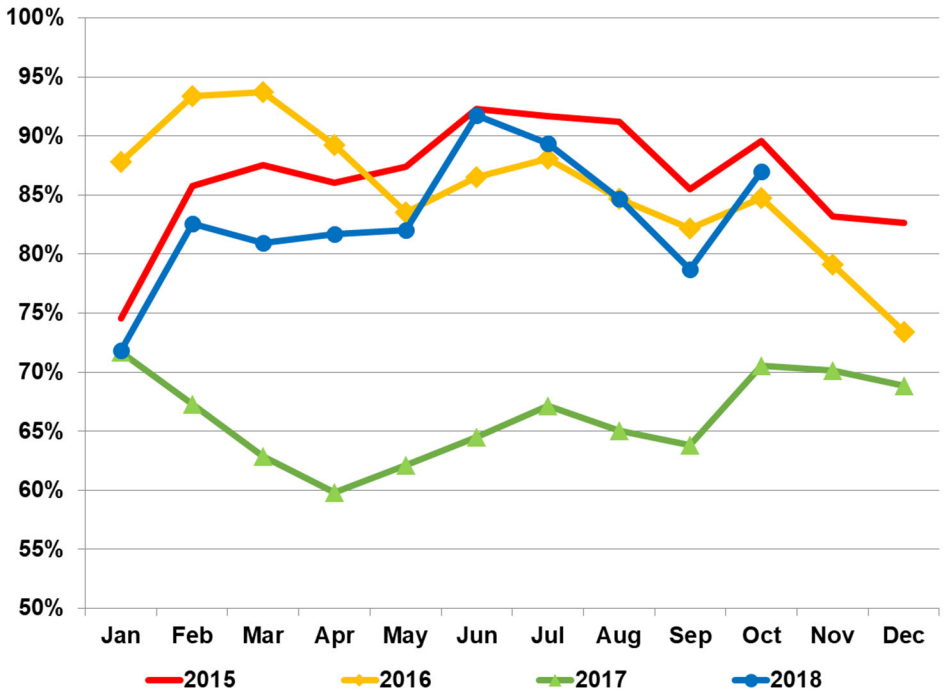


Figure 23: Hotel Market Set Occupancy by Month of Year



5.3 Office Market

The office market performance appears healthy overall, though individual building performance varies. The average vacancy rate in the market area is 12.0%, while the median is substantially lower at 5.7%. Market rents in the area range from lows of approximately $18 per square foot per year to highs of approximately $47 per square foot, and average approximately $37 per square foot. Average rents appear to be moderately influenced by building age.

Approximately 42% of area office development was constructed between 1980 and 1999, approximately 50% was constructed before 1980, and approximately 5% was constructed between 2000 – 2009. Only 2% of all office development was constructed subsequent to 2009. There is little office construction projected within the area over the next five years. Additional metrics for the area office market follow in Figure 22 and Figure 23 and Table 5 through Table 7 below.

Based on the information reviewed, a lease rate of $42 per square foot and a 12% vacancy rate were utilized in the baseline office scenarios evaluated herein.

Figure 24: Pasadena Office Market Asking Rent & Vacancy

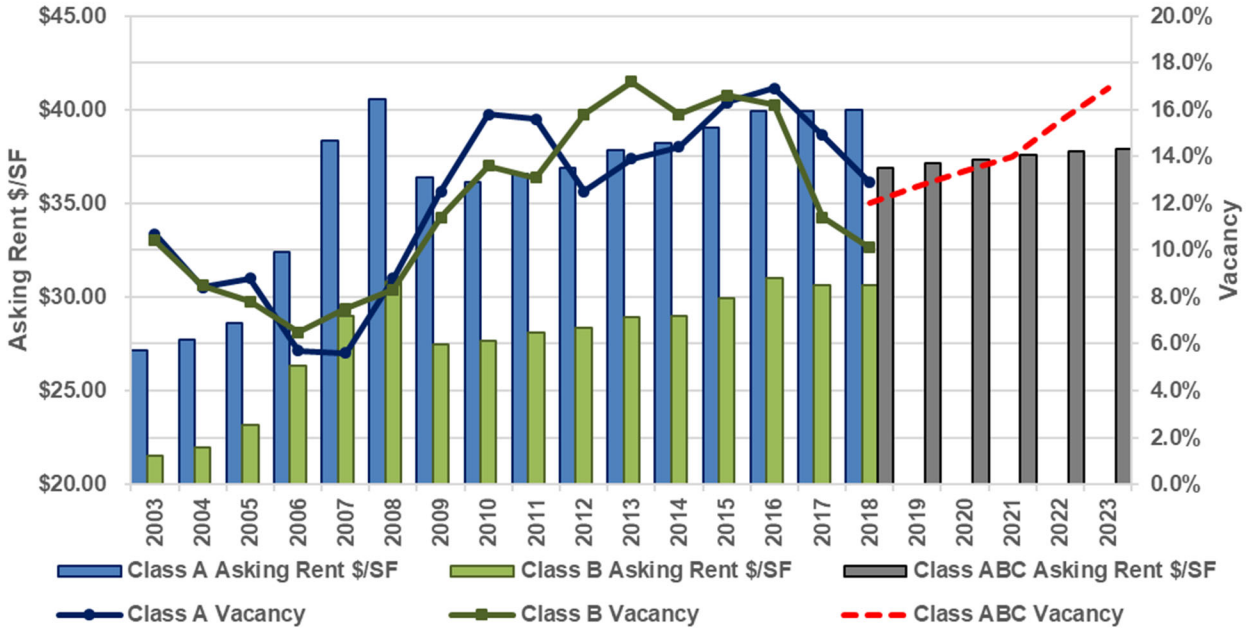


Figure 25: Pasadena Office Market Inventory & Occupied Square Feet

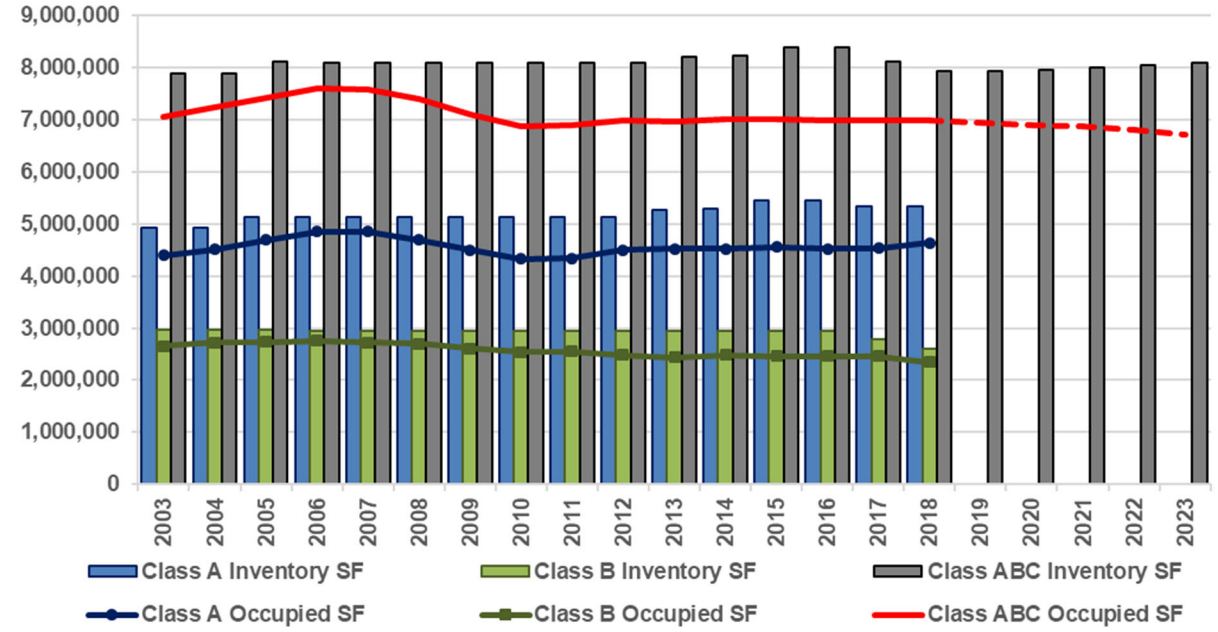


Table 5: Summary Office Market Metrics

Asking Rent by Building Age	
Before 1970	$ 32.13
1970-1979	32.72
1980-1989	36.18
1990-1999	39.48
2000-2009	32.23
After 2009	44.63

Asking Rent Distribution	
Low	$ 18.00
25%	27.28
Mean	36.91
Median	36.60
75%	40.03
High	47.40

Asking Rent Growth Distribution	
Low	0.0%
25%	1.0%
Mean	1.0%
Median	1.0%
75%	1.1%
High	5.6%

Vacancy by Building Age	
Before 1970	10.6%
1970-1979	7.0%
1980-1989	23.0%
1990-1999	2.3%
2000-2009	7.5%
After 2009	51.8%

Vacancy Rate Distribution	
Low	0.0%
25%	0.4%
Mean	12.0%
Median	5.7%
75%	21.5%
High	67.7%

Inventory by Building Age	
Before 1970	35.0%
1970-1979	15.0%
1980-1989	35.0%
1990-1999	7.0%
2000-2009	5.0%
After 2009	2.0%

Table 6: Office New Construction & Absorption (Annualized)

	SF Built	SF Absorbed
Past Year	-	(11,000)
Past 3 Years	-	(8,000)
Past 5 Years	37,000	5,000
5 Year Forecast	30,800	(52,600)

Table 7: Sample Proximate Office Sale Comps

Sale Date	Class	Address	Built	Year Renovated	Floors	Size (SF)	Sale Price	Sale Price (SF)	Asking Rent (SF)	Effective Rent (SF)	Vacancy
12/21/2018	A	70 S Lake Ave	1982	1994	11	110,056	$44,000,000	$ 400	$ 44.70	$ 34.91	13.9%
11/26/2018	A	301 N Lake Ave	1989		11	227,019	82,000,000	361	38.00	29.68	6.0%
5/1/2018	A	251 S Lake Ave	1971		10	207,330	84,731,736	409	40.04	31.27	21.0%
5/1/2018	A	201 S Lake Ave	1969		8	133,388	175,268,264	417	40.83	31.89	11.1%
1/26/2018	A	888 E Walnut St	2005	2017	6	42,374	111,814,000	478	43.80	34.21	77.1%
12/29/2017	A	690 E Green St	1959		3	13,573	4,975,000	367			
4/19/2017	A	80 S Lake Ave	1967		8	67,500	30,800,000	431	42.00	32.81	16.9%
2/16/2017	A	200 S Los Robles Ave	1989		6	123,000	4,589,045	374	37.20	29.06	9.1%
			1979		**8**	**115,530**	**$67,272,256**	**$ 405**	**$ 40.94**	**$ 31.98**	**22.2%**
9/6/2018	BC	233 S Euclid Ave	1978		1	17,614	$12,500,000	$ 710			
12/6/2017	BC	199 S Hudson Ave	1967		1	11,808	5,800,000	491			
3/6/2017	BC	16 N Marengo Ave	1915	2005	7	55,000	15,000,000	273	41.40	32.34	6.4%
3/6/2017	BC	18 N Marengo Ave	1906		7	48,603	15,000,000	309			
			1942		**4**	**33,256**	**$12,075,000**	**$ 446**	**$ 41.40**	**$ 32.34**	**6.4%**

5.4 Multifamily Residential

The multifamily residential market appears to be strong with the majority of buildings in the market area performing well. The average vacancy rate in the market area is 5.8% and the median is moderately lower at 4.1%. Notably, product built after 2009 has an average vacancy rate of 9.6%. Average market rents in the area range from lows of approximately $1.83 per square foot per month for larger units, to highs of approximately $2.44 per square foot for smaller units. Average residential rents are heavily influenced by building age.

Approximately 9% of area multifamily residential development was constructed between 1980 and 1999, approximately 38% was constructed before 1980, and approximately 29% was constructed between 2000 – 2009. Significantly, approximately 24% of all multifamily residential development was constructed subsequent to 2009. Forecasts call for approximately 213 dwelling units to be constructed within the market each year over the next five years. Additional metrics for the area multi-family market follow in Figure 26 and Figure 27 and Table 8 through Table 11 below.

Based on the information reviewed, a lease rate of $3.50 per square foot per month ($42 per square foot per year) and a 5% vacancy rate were utilized in the baseline multifamily residential scenarios evaluated herein.

Figure 26: Pasadena Multifamily Rent & Vacancy

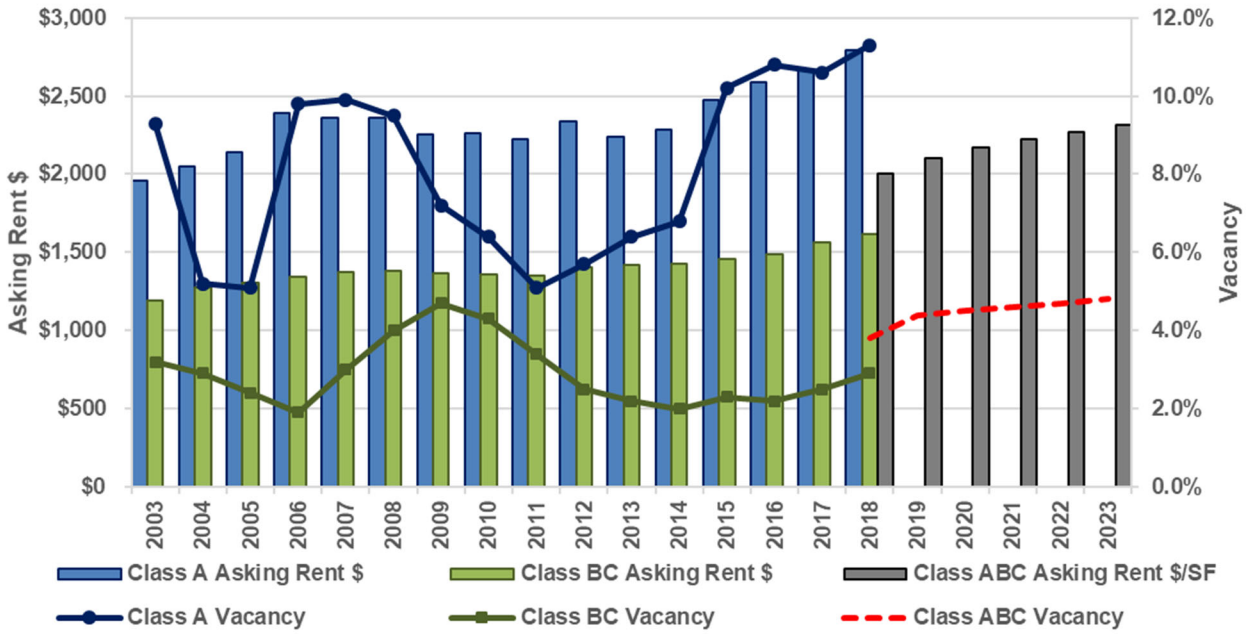


Figure 27: Pasadena Multifamily Inventory & Occupied Dwelling Units

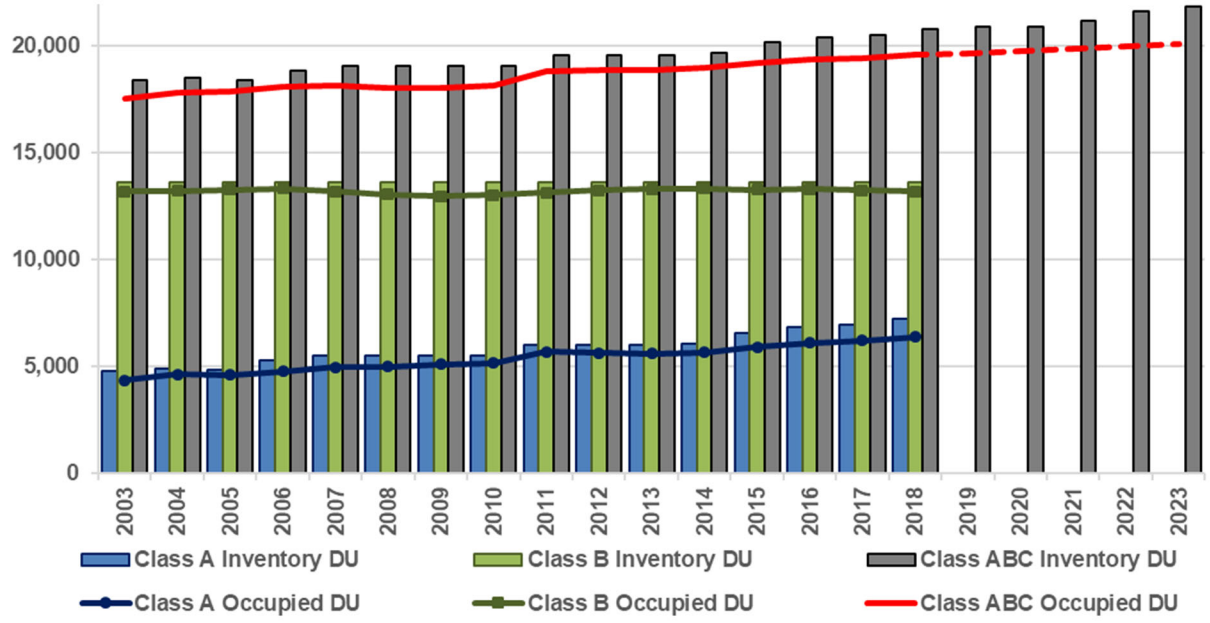


Table 8: Summary Multifamily Residential Market Metrics

Asking Rent by Building Age	
Before 1970	$ 1,835
1970-1979	2,126
1980-1989	2,140
1990-1999	2,663
2000-2009	2,682
After 2009	2,958

Asking Rent Distribution	
Low	$ 1,225
25%	1,743
Mean	2,026
Median	2,134
75%	2,631
High	3,210

Asking Rent Growth Distribution	
Low	-8.1%
25%	-1.4%
Mean	-0.8%
Median	-0.4%
75%	0.5%
High	9.0%

Vacancy by Building Age	
Before 1970	3.2%
1970-1979	4.1%
1980-1989	2.8%
1990-1999	7.6%
2000-2009	5.3%
After 2009	9.6%

Vacancy Rate Distribution	
Low	0.0%
25%	2.1%
Mean	5.8%
Median	4.1%
75%	5.2%
High	19.3%

Inventory by Building Age	
Before 1970	20.0%
1970-1979	18.0%
1980-1989	3.0%
1990-1999	6.0%
2000-2009	29.0%
After 2009	24.0%

Table 9: Multifamily Residential Unit Size & Rent

	Average SF	Average Rent /SF	Market Share
Studio/Effeciency	671	$ 2.44	10.9%
One Bedroom	794	2.31	49.0%
Two Bedroom	1,134	2.05	37.7%
Three Bedroom	1,534	1.83	2.4%

Table 10: Multifamily Residential New Construction & Absorption (Annualized)

	DU Built	DU Absorbed
Past Year	262	133
Past 3 Years	206	133
Past 5 Years	244	140
5 Year Forecast	213	101

Table 11: Sample Proximate Residential Lease Comps

Address	Unit	Property	Beds	Bath	SF	Monthly Rent	$/SF
151 E. Holly St	9-303	Holly Street Village	0	1	1,391	$ 2,761	$1.98
375 E Green St	AVG	Terraces at Paseo Colorado	0	1	494	2,162	4.38
44 N Madison Ave	AVG	Trio Apartments	0	1	616	2,331	3.78
139 S Los Robles Ave	AVG		1	1	725	2,250	3.10
151 E. Holly St	AVG	Holly Street Village	1	1	710	2,397	3.38
218 S Oakland Ave	AVG	Los Patios de Cordova	1	1	637	2,838	4.45
22 W Green Street	AVG		1	1	610	2,298	3.77
375 E Green St	AVG	Terraces at Paseo Colorado	1	1	660	2,520	3.82
44 N Madison Ave	AVG	Trio Apartments	1	1	764	2,480	3.25
151 E. Holly St	AVG	Holly Street Village	2	2	1,008	2,796	2.77
218 S Oakland Ave	AVG	Los Patios de Cordova	2	2	1,145	3,823	3.34
375 E Green St	AVG	Terraces at Paseo Colorado	2	2	974	3,337	3.43
44 N Madison Ave	AVG	Trio Apartments	2	2	1,147	3,278	2.86
90 N Raymond	101		2	2	957	2,900	3.03
218 S Oakland Ave	202	Los Patios de Cordova	2	3	1,560	5,200	3.33
223 1/2 S Gale Drive			3	2	1,800	5,195	2.89
218 S Oakland Ave	204	Los Patios de Cordova	3	2.5	1,553	4,850	3.12
		Average Studio	**0**	**1**	**834**	**$ 2,418**	**$3.38**
		Average 1 Bedroom	**1**	**1**	**684**	**2,464**	**3.63**
		Average 2 Bedroom	**2**	**2.2**	**1,132**	**3,556**	**3.13**
		Average 3 Bedroom	**3**	**2.3**	**1,677**	**5,023**	**3.00**

5.5 Affordable Housing

Affordable housing in the United States is typically funded predominantly through the use of Low Income Housing Tax Credits ("LIHTC"). Under this system affordable housing developers compete to obtain tax credits for an eligible portion of the cost of delivering affordable housing units. In California this process is overseen by the California Tax Credit Allocation Committee, under the California State Treasurer's Office. Awards of LIHTC are allocated on a competitive basis in annual funding rounds, and prior awards can provide some guidance on potential funding levels, and potential operating performance of current projects.

Given the potential desire to utilize the YWCA building for homeless housing, Kosmont reviewed LIHTC allocations for special needs / homeless housing in 2017 and 2018. Summary information from these awards is provided in Table 12 and Table 13 below.

Based on the information reviewed Kosmont estimated that LIHTC funds of $325,000 to $375,000 per unit might reasonably be achievable. Kosmont also concluded that the amount of surplus annual cashflow from the typical development would not be sufficient to support any substantial ongoing debt service.

Table 12: Sample LA County Special Needs / Homeless CTAC LIHTC Allocations – 2017

CTCAC Application #	17-115	17-117	17-122	17-125	17-127	17-137
Project Name	Whittier Place Apartments	88th & Vermont	Cielito Lindo Apartments	Stanford Avenue Apartments	1st & Rowan Apartments	Florence Apartments
City	LA County	Los Angeles	Los Angeles	LA County	LA County	LA County
Unit Mix						
SRO	13	12	12	0	0	0
1 Bedroom	20	20	7	46	27	98
2 Bedroom	1	24	3	13	14	19
3 Bedroom	0	6	7	26	21	0
Total Units	34	62	29	85	62	117
Affordable Units	33	60	28	83	59	116
Total Costs	$18,373,000	$30,515,000	$15,450,000	$34,765,000	$30,890,000	$ 44,669,000
Per Aff Residential Unit	$ 557,000	$ 509,000	$ 552,000	$ 419,000	$ 524,000	$ 385,000
Per Aff Residential SF	**$ 567**	**$ 702**	**$ 802**	**$ 470**	**$ 614**	**$ 407**
Tax Credit Equity / Aff Unit	**$ 365,000**	**$ 229,000**	**$ 431,000**	**$ 269,000**	**$ 369,000**	**$ 260,000**
Other Sources / Aff Unit	$ 192,000	$ 280,000	$ 121,000	$ 150,000	$ 155,000	$ 125,000
% Other Sources	**34%**	**55%**	**22%**	**36%**	**30%**	**32%**
Average Monthly Rent / Unit	**$ 430**	**$ 529**	**$ 593**	**$ 716**	**$ 741**	**$ 688**
Affordability Level	**29%**	**32%**	**34%**	**38%**	**39%**	**42%**
Cashflow / Unit / Yr	$ 1,700	$ 3,800	$ 2,000	$ 4,200	$ 3,900	$ 4,400

Table 13: Sample LA County Special Needs / Homeless CTAC LIHTC Allocations - 2018

CTCAC Application #	18-090	18-095	18-110	18-125
Project Name	Rosa De Castilla Apartments	Stanford Avenue Apartments	The Spark at Midtown	El Nuevo Amanecer Apartments
City	Los Angeles	LA County	Long Beach	LA County
Unit Mix				
SRO	9	0	0	0
1 Bedroom	55	46	47	27
2 Bedroom	11	13	24	14
3 Bedroom	10	26	24	20
Total Units	85	85	95	61
Affordable Units	83	83	94	59
Total Costs	$44,042,000	$41,453,000	$46,026,000	$31,901,000
Per Aff Residential Unit	$ 531,000	$ 499,000	$ 490,000	$ 541,000
Per Aff Residential SF	**$ 781**	**$ 570**	**$ 637**	**$ 708**
Tax Credit Equity / Aff Unit	**$ 249,000**	**$ 248,000**	**$ 235,000**	**$ 337,000**
Other Sources / Aff Unit	$ 281,000	$ 252,000	$ 254,000	$ 204,000
% Other Sources	**53%**	**51%**	**52%**	**38%**
Average Monthly Rent / Unit	**$ 653**	**$ 781**	**$ 815**	**$ 796**
Affordability Level	**35%**	**39%**	**43%**	**39%**
Cashflow / Unit / Yr	$ 6,900	$ 5,100	$ 11,400	$ 5,200

6.0 Permitted Development

The Sites are located within the Civic Center Core area of the Civic Center / Midtown Sub-district of the City's Central District Specific Plan ("Specific Plan"). The Specific Plan provides guidance on the quality of improvements, design standards, and permitted uses on the Sites, as well as linkages and relationships to be maintained with proximate properties. The City's Zoning Code provides the balance of the guidance for permitted uses, building envelope and other development requirements.

The Sites are within approximately 700 feet of the Memorial Park Station of the Los Angeles County Metro Gold Line (light rail), and also within the Central District Transit Oriented Development Area. As a result, the Sites qualify for provisions within the City's Zoning Code for Transit Oriented Development ("TOD"). A discussion of permitted uses on the Sites, developable envelope, and parking requirements follow. It should be noted that the provisions discussed herein are general in nature, and there are provisions within the Specific Plan and Zoning Code that may impose different requirements on specific development programs on the Sites.

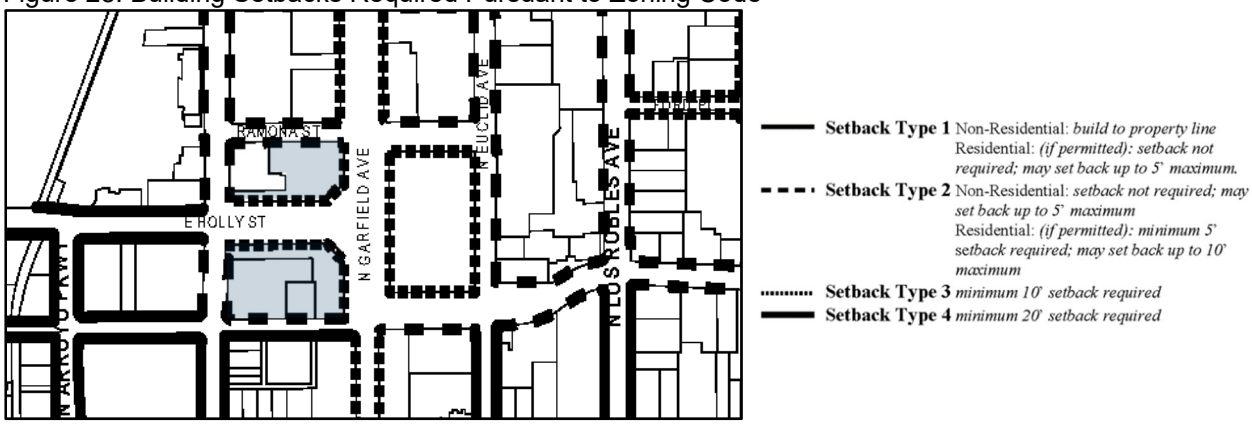
6.1 Permitted Uses

A wide variety of commercial and residential land uses are permitted on the Sites by right, with a Minor Condition Use Permit, or with a Conditional Use Permit. This Analysis evaluates potential residential, office, and/or hospitality uses on the Sites. Residential and office uses would be permitted by right, while hospitality uses would require a Condition Use Permit. At the time of the preparation of this Analysis additional information on permitted land uses could be accessed here.

6.2 Building Envelope

Generally, pursuant to Chapter 17.30 of the City's Zoning Code, the Sites could be developed with residential uses at up to 87 dwelling units per acre, a Floor Area Ratio ("FAR") of up to 2.25, and maximum height of 60 feet. A 10% increase in FAR is permitted under certain circumstances, including for the preservation of a historic structure, and height averaging for up to 30% of the building footprint may be permitted under certain circumstances. As illustrate in Figure 28 below, required building setbacks vary based on land use and the frontage street.

Figure 28: Building Setbacks Required Pursuant to Zoning Code



6.3 Required Parking

The location of the Sites within the Central District Transit-Oriented Area generally allows for reductions in the amount of parking spaces that would otherwise have to be provided. Office uses on the Sites would be required to have 25% fewer spaces than are otherwise required, and could elect to have a 35% reduction in spaces. Other non-residential uses would be required to have 10% fewer spaces than are otherwise required, and could elect to have a 20% reduction in spaces.

With respect to the scenarios evaluated herein, governmental or professional office uses on the Sites would be required to provide three spaces per 1,000 square feet of building area (before the TOD reductions discussed above). Hospitality uses would be required to provide one space per guest room, plus 10 spaces per 1,000 square feet of banquet, assembly, meeting or restaurant seating area, or one space per eight fixed seats (before the TOD reductions discussed above).

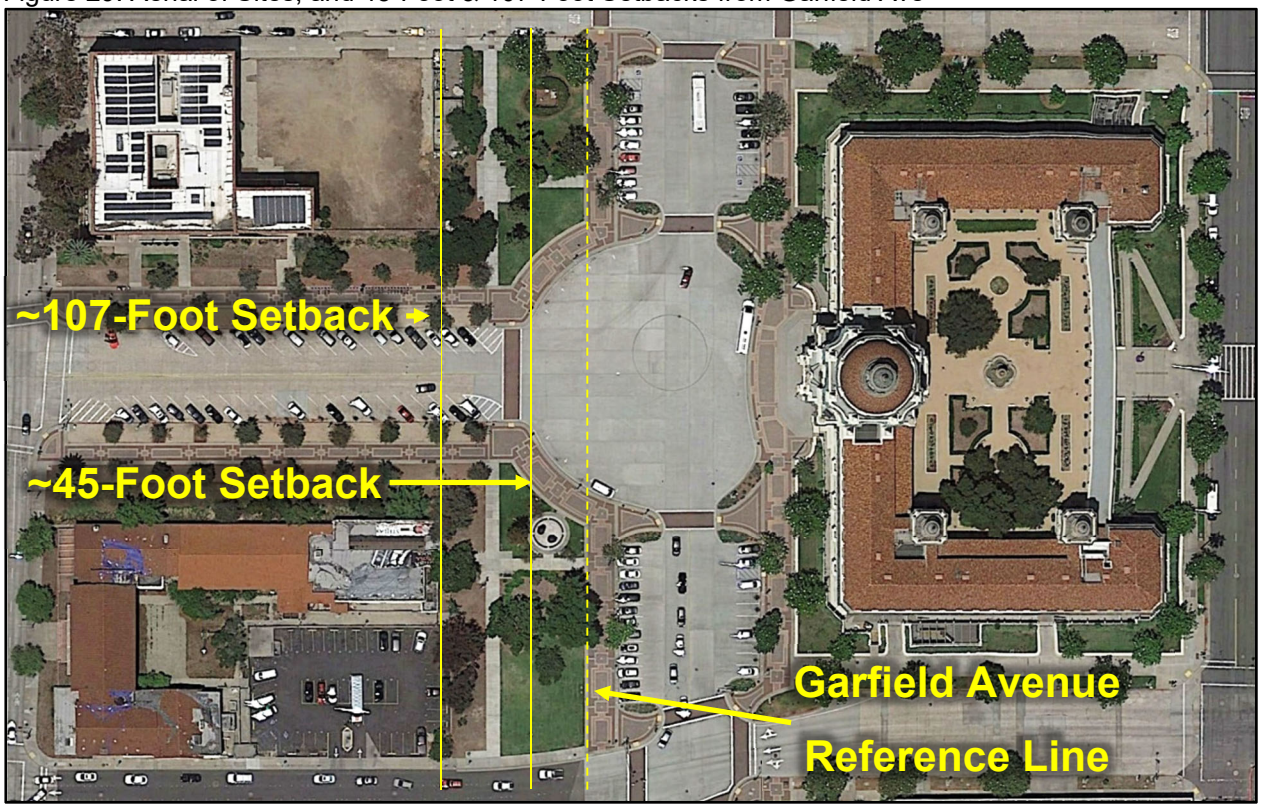
Residential uses are required to have one parking space per unit less than 650 square feet, and 1.5 to 1.75 spaces per unit with 650 or more square feet. Residential projects with more than 48 dwelling units per acre may be entitled to further reductions in parking requirements. Multifamily residential buildings with 10 or more dwelling units must also include one guest parking space for each 10 units. Single-room occupancy ("SRO") buildings (such as the original YWCA building use) have specific parking requirements depending on the affordability of the units. Market rate SRO buildings are required to have one parking space per dwelling unit, plus two spaces for a resident manager, while SRO buildings with affordability covenants / income limits for occupants are required to provide one parking space per four dwelling units, plus two spaces for a resident manager.

Further reductions in parking requirements for these commercial and residential uses may be permitted through a parking demand study and approval of a Minor Conditional Use Permit.

6.4 Analysis of Building Envelope Scenarios

In this Analysis the potential feasibility of the development of new buildings of various sizes on the YWCA Site, as well as the Water & Power Site are evaluated. The building envelopes evaluated are based on two different setbacks from Garfield Avenue: a 45-foot setback, and a 107-foot setback. The 45-foot setback is based on the setback and massing recommendation in the OLIN Report discussed in Section 4.4 on page 18. Each scenario assumes a building with a maximum of five stories in height (approximately 60 feet). An aerial of the Sites and a depiction of the various setbacks follows in Figure 29 below, and a summary of the estimated buildable envelopes given the two setbacks follows in Table 14 below.

Figure 29: Aerial of Sites, and 45-Foot & 107-Foot Setbacks from Garfield Ave



Note: Measurements & depictions are approximate

Table 14: Analysis Building Envelope Scenarios

Scenario	YWCA Building Site		Water & Power Site	
	Floors	Square Feet	Floors	Square Feet
Scenario A: 45-Foot Setback from Garfield	5	76,750	5	71,250
Scenario B: 107-Foot Setback from Garfield	5	55,000	5	50,000

7.0 YWCA Reuse – Hotel

7.1 Previous Kimpton Hotel Proposal

The previously proposed Kimpton Hotel provides an appropriate site-specific model for the evaluation of the potential reuse of the YWCA Building as part of the development of a hotel. Kimpton's proposal was to utilize the existing YWCA building primarily for major hotel amenities including lobby, restaurant / bar, ballrooms, and support space, and construct a new building to accommodate most of the hotel rooms.

The proposal included the conversion of the 28 smaller SRO / dormitory style rooms in the existing YWCA Building into 13 larger hotel rooms ranging from 320 to 485 square feet each. For reference, hotel rooms of this size are typical of what is found in, and required by the market. As proposed, the new building was six stories in height, encompassed approximately 87,342 square feet, and included an additional 166 rooms, for a total of 181 hotel rooms. Floor plans for the first three floors of the formerly proposed Kimpton Hotel follow in Figure 30 through Figure 32 below.

Figure 30: YWCA/Kimpton Hotel Project EIR – Proposed First Floor Layout

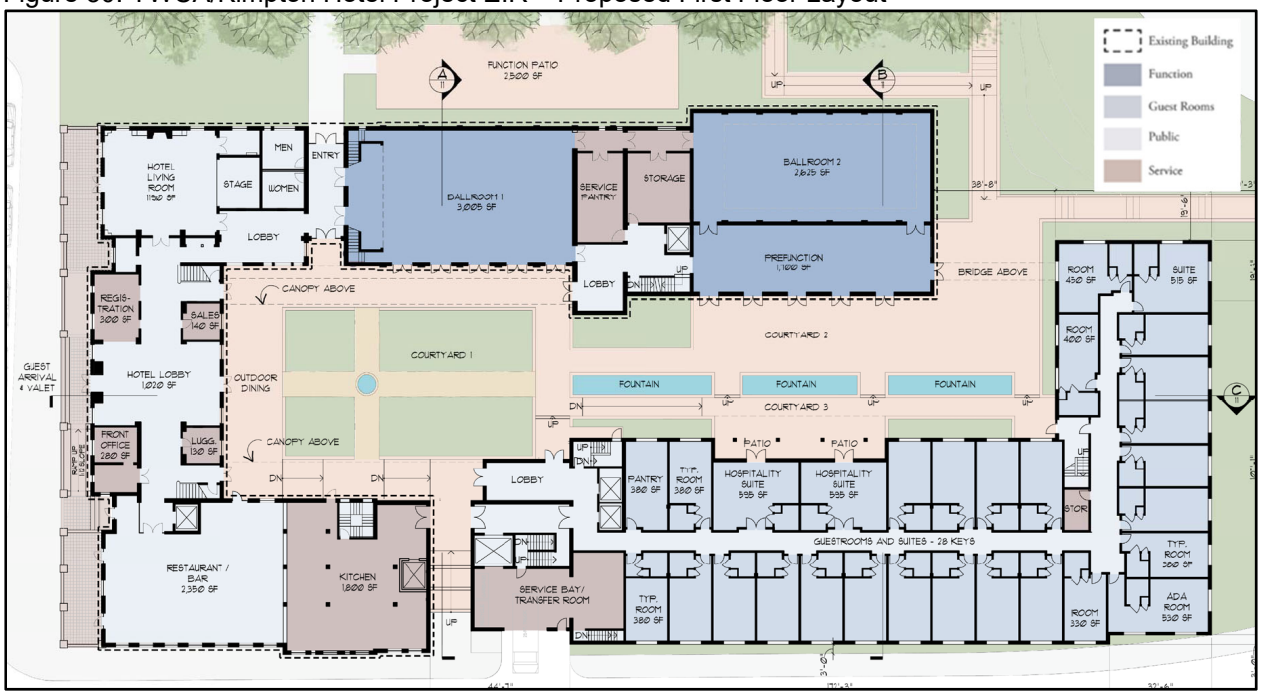
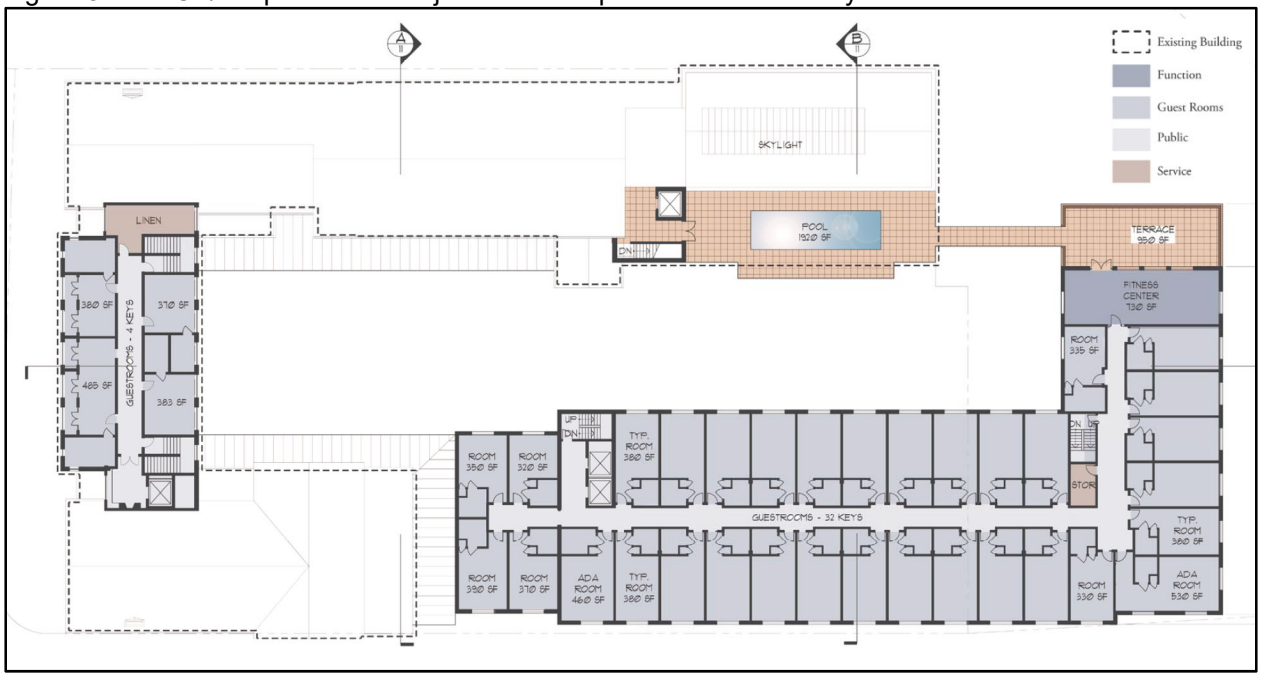


Figure 31: YWCA/Kimpton Hotel Project EIR – Proposed Second Floor Layout

Figure 32: YWCA/Kimpton Hotel Project EIR – Proposed Third Floor Layout



7.2 Background Discussion on Hotel Size & Feasibility

The previously proposed Kimpton Hotel would likely have been classified as an upper upscale hotel. A hotel with this classification typically requires a variety of high-quality amenities, including a restaurant, bar / lounge, meeting rooms, and exercise facilities / spas. In order to support the cost of developing and operating these amenities, hotels of this quality typically have several hundred rooms that generate room revenue for the hotel, and support greater patronage of

restaurant and meeting room amenities. As illustrated in Table 4 on page 21 the three traditional upper upscale hotels in the local market have 296 – 350 rooms.

While the YWCA Building provides a unique and appealing environment, it also represents a significant amount of square footage that is costly to rehabilitate, and under the Kimpton Hotel proposal, yielded only 13 hotel rooms. In order to support the cost of rehabilitating the YWCA Building, and the operation of the amenities discussed above, it appears that the Kimpton proposal attempted to maximize the number of potential hotel rooms within the new building adjacent to the YWCA Building. While this ultimately yielded a total of 181 hotel rooms, in the end, it may not have been enough rooms to fully support development costs. In summary, a hotel that could take advantage of the unique elements of the YWCA Building likely requires a significant number of hotel rooms to support development and operational costs.

7.3 Net Operating Income Estimates

The value of a hotel, and in turn, the amount of development costs it can support is typically established through an evaluation of the net income generated by hotel operations. Kosmont developed an estimate of potential net operating income by reviewing analogous upper upscale hotels in area markets, with some adjustments for conditions specific to the location of the YWCA Site. The resulting estimate of net operating income for the baseline scenarios herein follows in Table 15 below. For comparative purposes, the estimates for the Kimpton Hotel as previously prepared by KMA are also provided in Table 15 below. In summary, the baseline estimates herein utilize an ADR of $225, and an occupancy rate of 80% (regardless of the total number of rooms in a given scenario), and yield net income of approximately 28% of gross hotel revenues.

Table 15: Hotel NOI Estimate - Baseline Scenario & Prior Kimpton Hotel Estimates

	Analysis Baseline				KMA Analysis of Kimpton Hotel			
	Rooms: 134 ADR: $225.00 Occupancy: 80%				Rooms: 181 ADR: $269.00 Occupancy: 83%			
	Assumed	P.O.R	Per Room	Total	Assumed	P.O.R	Per Room	Total
Revenue								
Room Revenue	72.0%	$225.00	$ 65,700	$ 8,803,800	59.8%	$269.00	$ 81,494	$14,750,333
Food & Beverage	25.0%	78.13	22,813	3,056,875	35.6%	160.14	48,515	8,781,134
Other Operated Departments	3.0%	9.38	2,738	366,825	4.6%	20.69	6,269	1,134,641
Total Revenue	**100.0%**	**$312.50**	**$ 91,250**	**$12,227,500**	**100.0%**	**$449.83**	**$136,277**	**$24,666,108**
Departmental Expense								
Rooms	22.0%	$ 49.50	$ 14,454	$ 1,936,836	24.0%	$ 64.56	$ 19,558	$ 3,540,080
Food & Beverage	75.0%	58.59	17,109	2,292,656	73.0%	116.90	35,416	6,410,228
Other Operated Departments	50.0%	4.69	1,369	183,413	43.0%	8.90	2,696	487,896
Total Departmental Expense	**36.1%**	**$112.78**	**$ 32,932**	**$ 4,412,905**	**42.3%**	**$190.36**	**$ 57,670**	**$10,438,204**
Departmental Income	**63.9%**	**$199.72**	**$ 58,318**	**$ 7,814,595**	**57.7%**	**$259.47**	**$ 78,607**	**$14,227,904**
Undistributed Operating Expenses								
Administrative & General	7.0%	$ 21.88	$ 6,388	$ 855,925	9.5%	$ 42.73	$ 12,946	$ 2,343,280
Marketing	10.0%	31.25	9,125	1,222,750	8.0%	35.99	10,902	1,973,289
Property Operations & Maintenance	3.0%	9.38	2,738	366,825	3.0%	13.49	4,088	739,983
Utilities	3.0%	9.38	2,738	366,825	2.0%	9.00	2,726	493,322
Total Undistributed Expenses	**23.0%**	**$ 71.88**	**$ 20,988**	**$ 2,812,325**	**22.5%**	**$101.21**	**$ 30,662**	**$ 5,549,874**
House Profit	**40.9%**	**$127.84**	**$ 37,330**	**$ 5,002,270**	**35.2%**	**$158.26**	**$ 47,945**	**$ 8,678,030**
Management Fee	**3.0%**	**$ 9.38**	**$ 2,738**	**$ 366,825**	**3.0%**	**$ 13.49**	**$ 4,088**	**$ 739,983**
Fixed Expenses								
Property Taxes	4.5%	$ 14.06	$ 4,106	$ 550,238	3.4%	$ 15.29	$ 4,633	$ 838,648
Insurance	1.5%	4.69	1,369	183,413	1.0%	4.50	1,363	246,661
Replacement Reserve	4.0%	12.50	3,650	489,100	4.0%	17.99	5,451	986,644
Total Fixed Expenses	**10.0%**	**$ 31.25**	**$ 9,125**	**$ 1,222,750**	**8.4%**	**$ 37.79**	**$ 11,447**	**$ 2,071,953**
Net Operating Income	**27.9%**	**$ 87.22**	**$ 25,468**	**$ 3,412,695**	**23.8%**	**$106.98**	**$ 32,409**	**$ 5,866,094**

7.4 Representative Hotel Proforma

Based on the estimates of net operating income above and a review of construction cost estimates, Kosmont prepared a proforma for a baseline hotel reuse scenario utilizing the YWCA Building, and the YWCA Site. General assumptions are listed below, and a representative proforma follows in Table 16.

- A total of 17 hotel rooms could be accommodated in the YWCA building by following the Kimpton Hotel layout, but converting the second-floor meeting rooms into four additional hotel rooms.
- An additional 146 rooms could be accommodated in a new 76,750 square foot building (45-foot setback)
- Direct construction costs for the YWCA Building of $415 per square foot.
- Direct construction costs for the new building of $310 per square foot.
- Direct construction costs of $40,000 per subterranean parking stall.

Table 16: YWCA Building & Site – Representative Hotel Proforma (Scenario A)

REVENUES							
Hotel							
Gross Annual Revenues	$	225.00	ADR	80.0%	Occupancy		10,709,100
Other Departments		39%	%/Room Rev	10,709,100			4,164,650
Less: Operating Costs & Reserves		72.0%	Of Tot	14,873,750	(Total)	$	(10,709,100)
Net Income (Representative Year)	**$**	**35.50**	/Gross SF/YR	$ 180	RevPAR	**$**	**4,164,650**
CAPITALIZED VALUE	**$**	**546**	$/Gross SF	6.50%	Cap Rate	**$**	**64,071,538**
		$393,077	$/Key				

COSTS	Unit Costs	Unit Type	Units		Total Budget
Construction Costs					
YWCA Rehabilitation	$ 415.00	/SF	40,570	SF	$ 16,836,550
New Building	310.00	/SF	76,750	SF	23,792,500
Furniture, Fixtures & Equipment	30,000	/Key	163	Keys	4,890,000
Subterranean Parking	40,000	/Stall	173	Stalls	6,920,000
Construction Contingency	10.0%	%of Tot	23,792,500	Of Dir	2,379,250
Total Construction	$467	$/Gross SF			**$ 54,818,300**
Soft Costs					
Architect & Engineering Fees	$ 28.04	/SF	6.0%	Of Hard	$ 3,289,098
Insurance and Bonds	14.02	/SF	3.0%	Of Hard	1,644,549
City Fees & Permits	37.38	/SF	8.0%	Of Hard	4,385,464
Taxes	4.67	/SF	1.0%	Of Hard	548,183
Builder G&A / Mgmt.	23.36	/SF	5.0%	Of Hard	2,740,915
Soft Contingency	10.75	/SF	10.0%	Of Soft	1,260,821
Total Soft Costs	$118	$/Gross SF			**$ 13,869,030**
Financing					
Financing (65% of Total, 24 Months, 55% Avg Bal)	$ 27.21	/SF	6.50%	Of H&S	$ 3,192,244
Financing Fees (100% of Total Financing)	3.81	/SF	1.00%	Of H&S	446,468
Total Financing	$31	$/Gross SF			**$ 3,638,711**
TOTAL COSTS	**$ 616**	$/Gross SF			**$ 72,326,041**
	$443,718	$/Key			

NET PROFIT

Based on Capitalized Value of Representative Year

Gross Capitalized Value	$	64,071,538
Less: Total Costs		(72,326,041)
Net Profit	**$**	**(8,254,503)**
Return on Costs		**-11.4%**
Return on Equity		**-17.9%**

Based on Discounted Cashflows

Yr	Net Operating Income	Growth Factor		Present Value (10% / Year)
1	$3,956,418	95.0%	% of Rep Year	$ 3,596,743
2	4,549,880	115.0%	Year/Year	3,760,232
3	4,731,875	104.0%	Year/Year	3,555,128
4	4,921,150	104.0%	Year/Year	3,361,212
5	5,068,785	103.0%	Year/Year	3,147,317
6	5,220,848	103.0%	Year/Year	2,947,033
7	5,377,474	103.0%	Year/Year	2,759,494
8	5,538,798	103.0%	Year/Year	2,583,890
9	5,704,962	103.0%	Year/Year	2,419,461
10	5,876,111	103.0%	Year/Year	2,265,495
Reversion	73,451,386			28,318,689

Value Based on Discounted Cashflows	$	58,714,693
Less: Total Costs		(72,326,041)
Net Profit	**$**	**(13,611,348)**
Return on Costs		**-18.8%**
Return on Equity		**-32.0%**

10 Year Leveraged IRR	**7.8%**

Based on the proforma above, Kosmont does not consider this scenario feasible absent substantial modification. In order for this scenario to be considered feasible, the 10 Year Leveraged IRR (internal rate of return) would ideally exceed 20%, however it is only 7.8% in this analysis.

It should be noted that estimates of performance herein are also before the payment of any ground rent. Thus, in order for this reuse scenario to be able to support ground rent, the 10 Year Leveraged IRR would typically need to notably exceed 20%.

7.5 Performance of Hotel Scenarios

To evaluate the feasibility of the hotel reuse scenario under the various setbacks, Kosmont evaluated the representative proforma with adjustments as listed in Table 17 below.

Table 17: YWCA Building & Site – Building Program for Hotel Scenarios

Component	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
Total Square Feet	117,320	95,570
Hotel Rooms	163	122
Parking Stalls	173	146

Given the superior performance projections for the previous Kimpton hotel proposal, Kosmont also ran a fourth scenario based on Scenario A, but with the following additional adjustments:

- Average Daily Rate of $269
- Occupancy of 83%
- Other Departments generate 67% of total revenues

The resulting performance from these scenarios follows in Table 18 below.

Table 18: YWCA Building & Site – Hotel Feasibility

Component	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback	Scenario A: w/ Elevated Revenues
YWCA Building	$ 22,987,000	$ 22,987,000	$ 22,987,000
New Building	40,209,000	28,801,000	40,209,000
Subterranean Parking	9,130,000	7,705,000	9,130,000
Total Estimated Cost	$ 72,326,000	$ 59,493,000	$ 72,326,000
Estimated Value*	$ 58,715,000	$ 43,946,000	$ 74,478,000
	Return on Cost		
Excluding Parking	-10.4%	-19.3%	13.6%
Including Parking	-18.8%	-26.1%	3.0%
	10 Year Leveraged IRR		
Excluding Parking	10.3%	7.7%	17.7%
Including Parking	7.8%	5.7%	14.4%

**Value based on 10-year discounted cashflow analysis*

Kosmont considers all of the hotel reuse scenarios likely infeasible given a 10 Year Leveraged IRR that is significantly less than 20%. The only scenario the may be moderately feasible would be the largest of the buildings (Scenario A), with elevated revenues pursuant to the Kimpton hotel estimates, and only if parking could be provided offsite at minimal cost.

7.6 Annex Building

As previously discussed, upper upscale hotels tend to require several hundred hotel rooms to adequately support hotel amenities and operations. Given the constraints to the building envelopes considered herein, it is not conceptually possible to develop more than approximately 134 hotel rooms on the YWCA Site.

Some hotels increase room counts through the use of annex buildings. While perhaps less than ideal, the Water & Power Site could conceivably accommodate an annex building. Kosmont evaluated a scenario assuming buildings with 45-foot setbacks, use of both Sites, a total of 295 hotel rooms, 259 subterranean parking stalls, and the elevated revenue projections from the Kimpton hotel estimates. If the ADR and occupancy rate were sustainable despite the increase in room count, such a scenario would be estimated to yield a 10 Year Leveraged IRR of approximately 17.8%. Kosmont considers this scenario potentially feasible.

8.0 YWCA Reuse – Office

In this section, the feasibility of the reuse of the YWCA Building and YWCA Site for an office building for private use, or alternatively for public use are evaluated. General assumptions under the private reuse alternative are listed below, and the representative proforma follows in Table 19.

- Gross income including common area maintenance of $42 per leasable square foot per year.
- A 12% vacancy factor, and building operating costs of $12 per square foot per year.
- 75% of the gross building area of the YWCA Building would be leasable space.
- 85% of the gross building area of the new building would be leasable space.
- Direct construction costs for the YWCA Building of $270 per square foot.
- Direct construction costs for the new building of $170 per square foot.
- Direct construction costs of $40,000 per subterranean parking stall.
- Tenant improvement allowance of $50 per square foot.

Table 19: YWCA Building & Site – Representative Office Proforma (Scenario A)

REVENUES						
Gross Annual Revenues	$	42.00	Net SF/Yr	95,665	Net SF	$ 4,017,930
Less: Vacancy & Collection Loss		12.0%	Of Tot	4,017,930	(Total)	(482,151.60)
Less: Maintenance & Operations	$	12.00	Net SF/Yr	95,665	Net SF	(1,147,980)
Net Income (Yr)	**$**	**24.96**	/Net SF/YR			**$ 2,387,798**
CAPITALIZED VALUE	**$**	**499**	$/Net SF	5.00%	Cap Rate	**$ 47,755,968**

COSTS		Unit Costs	Unit Type	Units		Total Budget
Construction Costs						
YWCA Rehabilitation	$	270.00	/SF	40,570	SF	$ 10,953,900
New Building		170.00	/SF	76,750	SF	13,047,500
Tenant Improvements Allowance		50.00	/SF	95,665	SF	4,783,250
Subterranean Parking		40,000	/Stall	229	Stalls	9,160,000
Construction Contingency		10.0%	%of Tot	17,830,750	Of Dir	1,783,075
Total Construction		$415	/Net SF			**$ 39,727,725**
Soft Costs						
Architect & Engineering Fees	$	24.92	/SF	6.0%	Of Hard	$ 2,383,664
Insurance and Bonds		12.46	/SF	3.0%	Of Hard	1,191,832
City Fees & Permits		33.22	/SF	8.0%	Of Hard	3,178,218
Taxes		4.15	/SF	1.0%	Of Hard	397,277
Builder G&A / Mgmt.		20.76	/SF	5.0%	Of Hard	1,986,386
Soft Contingency		9.55	/SF	10.0%	Of Soft	913,738
Total Soft Costs		$105	/Net SF			**$ 10,051,114**
Financing						
Financing (70% of Total, 24 Months, 55% Avg Bal)	$	22.04	/SF	5.50%	Of H&S	$ 2,108,134
Financing Fees (100% of Total Financing)		3.64	/SF	1.00%	Of H&S	348,452
Total Financing		$26	/Net SF			**$ 2,456,586**
TOTAL COSTS	**$**	**546**	/Net SF			**$ 52,235,425**

NET PROFIT	
Gross Value	$ 47,755,968
Less: Total Costs	(52,235,425)
Net Profit	**$ (4,479,457)**
Return on Costs	**-8.6%**
Return on Equity	**-15.5%**

8.1 YWCA Office Reuse Scenarios

To evaluate the feasibility of the office reuse scenario under the various setbacks, Kosmont ran the representative proforma with adjustments as listed in Table 20 below.

Table 20: YWCA Building & Site – Building Program for Office Scenarios

Component	YWCA Building Only	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
Total Square Feet	40,570	117,320	95,570
Leasable Square Feet	30,428	95,665	77,178
Parking Stalls	39	229	186

Note: Under the YWCA Building Only scenario it was assumed that approximately 50% of the parking would be subterranean, and the balance would be surface parked.

The resulting performance from these scenarios follows in Table 21 below.

Table 21: YWCA Building & Site - Office Feasibility

Component	YWCA Building Only	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
YWCA Building	$ 16,676,000	$ 16,676,000	$ 16,676,000
New Building	n/a	23,516,000	16,831,000
Subterranean Parking	2,060,000	12,044,000	9,782,000
Total Estimated Cost	$ 18,736,000	$ 52,236,000	$ 43,289,000
Estimated Value	$ 15,189,000	$ 47,756,000	$ 38,527,000
Net Margin			
Excluding Parking	$ (1,487,000)	$ 7,564,000	$ 5,020,000
Including Parking	(3,547,000)	(4,480,000)	(4,762,000)
Return on Cost			
Excluding Parking	-8.9%	18.8%	15.0%
Including Parking	-18.9%	-8.6%	-11.0%
Return on Equity			
Excluding Parking	-16.2%	27.6%	22.5%
Including Parking	-39.3%	-15.5%	-20.4%

Kosmont considers a return on cost greater than approximately 10% to be indicative of potential financial feasibility under this reuse program. As such, the office reuse scenarios that include additional building area (Scenario A, B) are considered likely feasible if subterranean parking can be minimized and/or if offsite parking is available at a reasonable cost. Further the larger building envelopes under the scenarios with smaller setbacks increase potential feasibility.

8.2 YWCA Office Reuse w/ Prevailing Wage

The next alternative evaluated was the delivery of the same office building programs under a public delivery. General assumptions under a private reuse alternative are listed below, and a summary of the financial performance follows in Table 22 below.

- A total cost of ownership of $39 per leasable square foot per year.
- Direct construction costs for the YWCA Building of $375 per square foot.
- Direct construction costs for the new building of $270 per square foot.
- Direct construction costs of $50,000 per subterranean parking stall.
- A vacancy rate of 0% under the assumption that the City would be the only occupant.
- Tenant improvement allowance of $75 per square foot.
- Financing costs are set to zero and the capitalization rate is set to 5.70% to approximate the City's hypothetical capital costs (includes two years of capitalized interest; pursuant to discussions with KTS).

Table 22: YWCA Building & Site - Office with Prevailing Wage Feasibility

Component	YWCA Building Only	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
YWCA Building	$ 22,306,000	$ 22,306,000	$ 22,306,000
New Building	n/a	35,208,000	25,203,000
Subterranean Parking	2,454,000	14,347,000	11,653,000
Total Estimated Cost	$ 24,760,000	$ 71,861,000	$ 59,162,000
Estimated Value	$ 14,413,000	$ 45,315,000	$ 36,558,000
		Net Margin	
Excluding Parking	$ (7,893,000)	$ (12,199,000)	$ (10,951,000)
Including Parking	(10,347,000)	(26,546,000)	(22,604,000)
		Return on Cost	
Excluding Parking	-35.4%	-21.2%	-23.1%
Including Parking	-41.8%	-36.9%	-38.2%
		Effective Initial City Cost Per SF	
Excluding Parking	54.00	46.00	47.00
Including Parking	58.00	55.00	56.00

In summary, under the public office scenario Kosmont evaluated feasibility as a function of the City's current total cost of leasing office space from a private party of approximately $39 per square foot per year. It is estimated that the YWCA Building Only scenario would initially cost the City $54 to $58 per square foot per year (without and with subterranean parking, respectively), representing a 40% - 50% increase from current City leasing costs. This $54 to $58 figure includes the estimated annualized cost of constructing, operating, and maintaining the new building. It is estimated Scenario A and B would initially cost the City $46 to $56 per square foot per year (without and with subterranean parking, respectively), representing a 20% - 40% increase from current City costs).

9.0 YWCA Reuse – Market Residential

In this section, the feasibility of the private reuse of the YWCA Building and YWCA Site for a market rate multifamily residential development is evaluated. General assumptions under this reuse program are listed below, and the representative proforma follows in Table 23 below.

- Gross income of $3.50 per leasable square foot per month ($42 per year).
- A 5% vacancy factor, and building operating costs of 30% of gross revenues.
- 70% of the gross building area of the YWCA Building would be leasable space.
- 85% of the gross building area of the new building would be leasable space.
- Direct construction costs for the YWCA Building of $410 per square foot.
- Direct construction costs for the new building of $240 per square foot.
- Direct construction costs of $40,000 per subterranean parking stall.
- Average unit size of 925 square feet, with 30% of units less than 650 square feet

Table 23: YWCA Building & Site – Representative Market Residential Proforma (Scenario A)

REVENUES							
Gross Annual Revenues	$	42.00	Net SF/Yr	93,637	Net SF	$	3,932,733
Less: Vacancy & Collection Loss		5.0%	Of Tot	3,932,733	(Total)		(196,637)
Less: Maintenance & Operations		30.0%	Of Tot	3,932,733	(Total)		(1,179,820)
Net Income (Yr)	**$**	**27.30**	/Net SF/YR			**$**	**2,556,276**
CAPITALIZED VALUE	**$**	**642**	$/Net SF	4.25%	Cap Rate	**$**	**60,147,681**

COSTS		Unit Costs	Unit Type	Units		Total Budget
Construction Costs						
YWCA Rehabilitation	$	410.00	/SF	40,570	SF	$ 16,633,700
New Building		240.00	/SF	76,750	SF	18,420,000
Subterranean Parking		40,000	/Stall	148	Stalls	5,920,000
Construction Contingency		10.0%	%of Tot	24,340,000	Of Dir	2,434,000
Total Construction		$464	/Net SF			**$ 43,407,700**
Soft Costs						
Architect & Engineering Fees	$	27.81	/SF	6.0%	Of Hard	$ 2,604,462
Insurance and Bonds		13.91	/SF	3.0%	Of Hard	1,302,231
City Fees & Permits		46.36	/SF	10.0%	Of Hard	4,340,770
Taxes		4.64	/SF	1.0%	Of Hard	434,077
Builder G&A / Mgmt.		23.18	/SF	5.0%	Of Hard	2,170,385
Soft Contingency		11.59	/SF	10.0%	Of Soft	1,085,193
Total Soft Costs		$127	/Net SF			**$ 11,937,118**
Financing						
Financing (75% of Total, 24 Months, 55% Avg Bal)		24.38	/SF	5.00%	Of H&S	$ 2,282,974
Financing Fees (100% of Total Financing)		4.43	/SF	1.00%	Of H&S	415,086
Total Financing		$29	/Net SF			**$ 2,698,060**
TOTAL COSTS	**$**	**620**	/Net SF			**$ 58,042,877**

NET PROFIT	
Gross Value	$ 60,147,681
Less: Total Costs	(58,042,877)
Net Profit	**$ 2,104,804**
Return on Costs	**3.6%**
Return on Equity	**7.0%**

9.1 YWCA Market Residential Reuse Scenarios

To evaluate the feasibility of the market multifamily residential reuse scenario under the various setbacks, Kosmont evaluated the representative proforma with adjustments as listed in Table 24 below.

Table 24: YWCA Building & Site – Building Program for Market Residential Scenarios

Component	YWCA Building Only	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
Total Square Feet	40,570	117,320	95,570
Leasable Square Feet	28,399	93,637	75,149
Approximate Units	31	101	81
Parking Stalls	23	148	119

Note: Under the YWCA Building Only scenario it was assumed that approximately 50% of the parking would be subterranean, and the balance would be surface parked.

The resulting performance from these scenarios follows in Table 25 below.

Table 25: YWCA Building & Site - Market Residential Feasibility

Component	YWCA Building Only	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
YWCA Building	$ 22,338,000	$ 22,338,000	$ 22,338,000
New Building	-	26,998,000	19,320,000
Subterranean Parking	1,359,000	8,708,000	7,001,000
Total Estimated Cost	$ 23,697,000	$ 58,044,000	$ 48,659,000
Estimated Value	$ 18,242,000	$ 60,148,000	$ 48,272,000
		Net Margin	
Excluding Parking	$ (4,096,000)	$ 10,812,000	$ 6,614,000
Including Parking	(5,455,000)	2,104,000	(387,000)
		Return on Cost	
Excluding Parking	-18.3%	21.9%	15.9%
Including Parking	-23.0%	3.6%	-0.8%
		Return on Equity	
Excluding Parking	-48.4%	37.0%	27.9%
Including Parking	-71.8%	7.0%	-1.6%

Kosmont considers a return on cost greater than 7% to be indicative of potential financial feasibility under this reuse program. As such, the multifamily reuse scenarios that include additional building area (Scenario A, B) are considered likely feasible if subterranean parking can be minimized and/or if offsite parking is available at a reasonable cost.

10.0 YWCA Reuse – Affordable Residential

In this section, the feasibility of the reuse of the YWCA Building and YWCA Site for an affordable housing development is evaluated. General assumptions under this reuse program are listed below, and the representative proforma follows in Table 26.

- 70% of the gross building area of the YWCA Building would be leasable space.
- 85% of the gross building area of the new building would be leasable space.
- Direct construction costs for the YWCA Building of $575 per square foot.
- Direct construction costs for the new building of $335 per square foot.
- Direct construction costs of $50,000 per subterranean parking stall.
- Average unit size of 925 square feet, with 30% of units less than 650 square feet

Table 26: YWCA Building & Site – Representative Affordable Residential Proforma (Scenario A)

REVENUES							
Gross Annual Revenues	$	42.00	Net SF/Yr	93,637	Net SF	$	3,932,733
Less: Vacancy & Collection Loss		5.0%	Of Tot	3,932,733	(Total)		(196,637)
Less: Maintenance & Operations		30.0%	Of Tot	3,932,733	(Total)		(1,179,820)
Net Income (Yr)	**$**	**27.30**	/Net SF/YR			**$**	**2,556,276**
CAPITALIZED VALUE	**$**	**642**	$/Net SF	4.25%	Cap Rate	**$**	**60,147,681**

COSTS		Unit Costs	Unit Type	Units		Total Budget
Construction Costs						
YWCA Rehabilitation	$	575.00	/SF	40,570	SF	$ 23,327,750
New Building		335.00	/SF	76,750	SF	25,711,250
Subterranean Parking		50,000	/Stall	148	Stalls	7,400,000
Construction Contingency		10.0%	%of Tot	33,111,250	Of Dir	3,311,125
Total Construction		$638	/Net SF			**$ 59,750,125**
Soft Costs						
Architect & Engineering Fees	$	38.29	/SF	6.0%	Of Hard	$ 3,585,008
Insurance and Bonds		19.14	/SF	3.0%	Of Hard	1,792,504
City Fees & Permits		63.81	/SF	10.0%	Of Hard	5,975,013
Taxes		6.38	/SF	1.0%	Of Hard	597,501
Builder G&A / Mgmt.		31.91	/SF	5.0%	Of Hard	2,987,506
Soft Contingency		15.95	/SF	10.0%	Of Soft	1,493,753
Total Soft Costs		$175	/Net SF			**$ 16,431,284**
Financing						
Financing (75% of Total, 24 Months, 55% Avg Bal)		33.56	/SF	5.00%	Of H&S	$ 3,142,483
Financing Fees (100% of Total Financing)		6.10	/SF	1.00%	Of H&S	571,361
Total Financing		$40	/Net SF			**$ 3,713,844**
TOTAL COSTS	**$**	**853**	/Net SF			**$ 79,895,253**

10.1 YWCA Affordable Residential Reuse Scenarios

To evaluate the feasibility of the affordable residential reuse scenario under the various setbacks, Kosmont evaluated the representative proforma with adjustments as listed in Table 27 below.

Table 27: YWCA Building & Site – Building Program for Affordable Residential Scenarios

Component	YWCA Building Only	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
Total Square Feet	40,570	117,320	95,570
Leasable Square Feet	28,399	93,637	75,149
Approximate Units	31	101	81
Parking Stalls	23	148	119

Note: Under the YWCA Building Only scenario it was assumed that approximately 50% of the parking would be subterranean, and the balance would be surface parked.

The resulting performance from these scenarios follows in Table 28 below.

Table 28: YWCA Building & Site - Affordable Residential Feasibility

Component	YWCA Building Only	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
YWCA Building	$ 31,327,000	$ 31,327,000	$ 31,327,000
New Building	-	37,683,000	26,966,000
Subterranean Parking	1,699,000	10,884,000	8,752,000
Total Estimated Cost	$ 33,026,000	$ 79,894,000	$ 67,045,000
	Cost Per Dwelling Unit		
Excluding Parking	$ 1,011,000	$ 683,000	$ 720,000
Including Parking	1,065,000	791,000	828,000
	Required Public Funds at $325,000 LIHTC Funds / Unit		
Excluding Parking	$ 21,266,000	$ 36,158,000	$ 31,995,000
Including Parking	22,940,000	47,066,000	40,743,000
	Required Public Funds at $375,000 LIHTC Funds / Unit		
Excluding Parking	$ 19,716,000	$ 31,108,000	$ 27,945,000
Including Parking	21,390,000	42,016,000	36,693,000

Kosmont estimates that reuse of the YWCA Building and YWCA Site for affordable housing for special needs / homeless housing could cost approximately $700,000 per dwelling unit (without any subterranean parking). Based on analogous affordable housing projects reviewed, it may be possible to achieve an eligible basis that would support LIHTC's in the range of $325,000 to $375,000 per dwelling unit. Given these assumptions and the building scenarios evaluated above, approximately $20 – 36 million in public funds would have to be sourced to facilitate such a development. These figures assume no subterranean parking is required; substantially more public funding would be required if all parking had to be provided onsite in a subterranean structure.

11.0 Water & Power Site – Office

In this section, the feasibility of the reuse of the Water & Power Site for an office building for private use, or alternatively for public use are evaluated. General assumptions under the private alternative are listed below, and the representative proforma follows in Table 29.

- Gross income including common area maintenance of $42 per leasable square foot per year.
- A 12% vacancy factor, and building operating costs of $12 per square foot per year.
- 85% of the gross building area of the new building would be leasable space.
- Direct construction costs for the new building of $170 per square foot.
- Tenant improvement allowance of $50 per square foot.
- Direct construction costs of $40,000 per subterranean parking stall.

Table 29: Water & Power Site – Representative Office Proforma (Scenario A)

REVENUES							
Gross Annual Revenues	$	42.00	Net SF/Yr	60,563	Net SF	$	2,543,625
Less: Vacancy & Collection Loss		12.0%	Of Tot	2,543,625	(Total)		(305,235.00)
Less: Maintenance & Operations	$	12.00	Net SF/Yr	60,563	Net SF		(726,750)
Net Income (Yr)	**$**	**24.96**	/Net SF/YR			**$**	**1,511,640**
CAPITALIZED VALUE	**$**	**499**	$/Net SF	5.00%	Cap Rate	**$**	**30,232,800**

COSTS		Unit Costs	Unit Type	Units		Total Budget
Construction Costs						
New Building		170.00	/SF	71,250	SF	12,112,500
Tenant Improvements Allowance		50.00	/SF	60,563	SF	3,028,125
Subterranean Parking		40,000	/Stall	139	Stalls	5,560,000
Construction Contingency		10.0%	%of Tot	15,140,625	Of Dir	1,514,063
Total Construction		$367	/Net SF			**$ 22,214,688**
Soft Costs						
Architect & Engineering Fees	$	22.01	/SF	6.0%	Of Hard	$ 1,332,881
Insurance and Bonds		11.00	/SF	3.0%	Of Hard	666,441
City Fees & Permits		29.34	/SF	8.0%	Of Hard	1,777,175
Taxes		3.67	/SF	1.0%	Of Hard	222,147
Builder G&A / Mgmt.		18.34	/SF	5.0%	Of Hard	1,110,734
Soft Contingency		8.44	/SF	10.0%	Of Soft	510,938
Total Soft Costs		$93	/Net SF			**$ 5,620,316**
Financing						
Financing (70% of Total, 24 Months, 55% Avg Bal)	$	19.46	/SF	5.50%	Of H&S	$ 1,178,812
Financing Fees (100% of Total Financing)		3.22	/SF	1.00%	Of H&S	194,845
Total Financing		$23	/Net SF			**$ 1,373,657**
TOTAL COSTS	**$**	**482**	/Net SF			**$ 29,208,661**

NET PROFIT	
Gross Value	$ 30,232,800
Less: Total Costs	(29,208,661)
Net Profit	**$ 1,024,139**
Return on Costs	**3.5%**
Return on Equity	**5.7%**

11.1 Water & Power Site Office Scenarios

To evaluate the feasibility of the office scenario under the various setbacks, Kosmont evaluated the representative proforma with adjustments as listed in Table 30 below.

Table 30: Water & Power Site – Building Program for Office Scenarios

Component	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
Total Square Feet	71,250	50,000
Leasable Square Feet	60,563	42,500
Parking Stalls	139	98

The resulting performance from these scenarios follows in Table 31 below.

Table 31: Water & Power Site - Office Feasibility

Component	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
New Building	21,898,000	15,367,000
Subterranean Parking	7,310,000	5,154,000
Total Estimated Cost	$ 29,208,000	$ 20,521,000
Estimated Value	$ 30,233,000	$ 21,216,000
	Net Margin	
Excluding Parking	$ 8,335,000	$ 5,849,000
Including Parking	1,025,000	695,000
	Return on Cost	
Excluding Parking	38.1%	38.1%
Including Parking	3.5%	3.4%
	Return on Equity	
Excluding Parking	50.6%	50.6%
Including Parking	5.7%	5.5%

Kosmont considers a return on cost greater then approximately 10% to be indicative of potential financial feasibility under this reuse program. As such, the office reuse scenarios on the Water & Power Site that are considered likely feasible even if subterranean parking were required.

11.2 Water & Power Site Office w/ Prevailing Wage

The next alternative evaluated was the delivery of the same office building programs under a public delivery. General assumptions under the public alternative are listed below, and a summary of the financial performance follows in Table 32 below.

- Total cost of ownership of $39 per leasable square foot per year.
- 85% of the gross building area of the new building would be leasable space.
- Direct construction costs for the new building of $270 per square foot.

- Tenant improvement allowance of $75 per square foot.
- Direct construction costs of $50,000 per subterranean parking stall.
- A vacancy rate of 0% under the assumption that the City would be the exclusive occupant.
- Financing costs are set to zero and the capitalization rate is set to 5.70% to approximate the City's hypothetical capital costs (includes two years of capitalized interest; pursuant to discussions with KTS).

Table 32: Water & Power Site - Office with Prevailing Wage Feasibility

Component	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
New Building	32,776,000	23,000,000
Subterranean Parking	8,708,000	6,140,000
Total Estimated Cost	$ 41,484,000	$ 29,140,000
Estimated Value	$ 28,688,000	$ 20,132,000
	Net Margin	
Excluding Parking	$ (4,088,000)	$ (2,868,000)
Including Parking	(12,796,000)	(9,008,000)
	Return on Cost	
Excluding Parking	-12.5%	-12.5%
Including Parking	-30.8%	-30.9%
	Effective Initial City Cost Per SF	
Excluding Parking	43.00	43.00
Including Parking	51.00	51.00

In summary, under the public office scenario Kosmont evaluated feasibility as a function of the City's current total cost of leasing office space from a private party of approximately $39 per square foot per year. It is estimated Scenario A and B would initially cost the City $43 to $51 per square foot per year (without and with subterranean parking, respectively), representing a 10% - 30% increase from current City costs. This $43 to $51 figure includes the estimated annualized cost of constructing, operating, and maintaining the new building. Over the medium to long term Kosmont anticipates that the City could realize marginal savings given fixed financing for initial construction costs, and the ultimate amortization of construction / project development costs.

12.0 Conclusion

As discussed and illustrated herein, it is Kosmont's conclusion that the YWCA Building is expected to be costly to rehabilitate. Given the extraordinary costs of rehabilitating the Building, a market-based reuse for hotel, office, or multifamily residential would require the inclusion of additional revenue generating building area to support the extraordinary costs. A summary matrix of Kosmont's conclusions on the financial feasibility of the various reuse scenarios follows in Table 33 below.

As discussed herein, it is Kosmont's conclusion that:

- Hotel reuse of the YWCA Site is possibly feasible but would rely on aggressive revenue projections and the ability to provide parking offsite.
- Private office reuse of the both the YWCA Site and the Water & Power Site is likely feasible if subterranean parking can be minimized and/or offsite parking available.
- Public office reuse of the YWCA Site is possible, but is estimated to initially cost 20% - 50% more per year than current City leasing costs of approximately $39 per square foot per year (without and with subterranean parking, respectively).
- Public office reuse of the Water & Power Site is possible, but is estimated to initially cost 10% - 30% more than current City leasing costs per square foot per year (without and with subterranean parking, respectively).
- Market residential reuse of the YWCA Site also appears feasible if subterranean parking can be minimized and/or offsite parking is available.
- Affordable housing reuse of the YWCA Site would be a function of public funds available to support such reuse. Initial estimates discussed herein suggest such reuse could require $20 – 36 million in public funds (assuming no subterranean parking is required).

Given the unique design and functional elements of the YWCA Building, successful reuse could also include a combination of land uses. As an example, the gymnasium and pool wing may be difficult to efficiently utilize as part of a residential building program, however may be more suitable for reuse as creative office.

All analysis and conclusions herein are based on preliminary and hypothetical building programs. The proforma generated for these building programs should be considered order of magnitude estimates, and could vary substantially from actual results once specific building programs are established. The conclusions on feasibility are intended to be preliminary in nature and guide further evaluation and refinement as warranted.

Table 33: Summary of Feasibility of Reuse Scenarios

	YWCA Building Only	Scenario A: 45-Foot Setback	Scenario B: 107-Foot Setback
Hotel	Infeasible	Possibly feasible, though only if ADR and other revenue is significantly higher than projected / in-line with original Kimpton Hotel assumptions, and subterranean parking is not required.	Infeasible
Office - Private	Infeasible	May be feasible if subterranean parking can be minimized, and/or offsite parking available. Larger building envelope from smaller setback increases feasibility.	
Office - Public	Estimated to require an initial 40% - 50% increase in City costs per square foot	Estimated to require an initial 20% - 45% increase over current City leasing costs per square foot per year (without and with subterranean parking, respectively)	
Multifamily Residential - Market	Infeasible	May be feasible if subterranean parking can be minimized, and/or offsite parking available. Larger building envelope from smaller setback increases feasibility.	
Multifamily Residential - Affordable	Feasibility is a function of availability of City / other public funding sources. Project estimated to require $20 - 36 million depending on building scenario, excluding subterranean parking.		

Water & Power Site

	Scenario A: 45-Foot Setback	Scenario C: 107-Foot Setback
Office - Private	May be feasible if subterranean parking can be minimized, and/or offsite parking available.	
Office - Public	Estimated to require an initial 10% - 30% increase over current City leasing costs per square foot per year (without and with subterranean parking, respectively)	

The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.